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**COMMUNITY BUSINESSES IN DEPLETED
COMMUNITIES:
LESSONS FROM CAPE BRETON AND
MONDRAGON**

Submitted for a Doctorate of Philosophy

Doug Lionais

**University of Durham
Department of Geography**

2004

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13 JUL 2004

Abstract

The broad topic of the thesis is the emergence of local businesses enterprises within the limitations of a depleted community. The thesis explores this topic through an examination of the community business approach to development as a novel response to the plight of depleted communities. *Depleted communities* are characterized as places where, despite economic disparity, residents maintain strong attachments to place. In the absence of the mainstream economy, alternative approaches to economy and local development are often attempted in depleted communities; community business is one such response.

New Dawn Enterprises in Cape Breton, Canada's oldest community development corporation, is studied as an example of the community business approach. New Dawn is compared to the Mondragon Co-operative Corporation in Spain. From these examples a theory of community business is developed regarding: how community businesses are formed; how they respond to the socioeconomic needs of the community; and how they maintain communitarian values within competitive business structures.

Community businesses were found to emerge through novel forms of entrepreneurship: community business entrepreneurship. Community business entrepreneurs are able to access community assets and lever them into economic assets through business structures. The community businesses that they establish, it was found, are structured around three basic principles: wealth creation, community rootedness, and social purpose. These three principles protect the social nature of the organization. It was also found that leadership in community businesses plays an important role in maintaining the balance of social goals and business practices, particularly in absence of the original entrepreneur. The two case studies demonstrate that business development is possible in depleted communities, particularly when focused on the community assets of such places. While such business development is possible, the cases also show that community businesses on their own are not sufficient to replete depleted communities.

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Declaration and Copyright

Declaration

No part of this thesis has previously been submitted by the candidate for a degree in this or any other university.

The thesis confirms with the prescribed word length for the degree for which I am submitting it for examination.

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Acknowledgements

Throughout the process of producing this thesis I have been fortunate to have the support and help of many people. I would like to take the time now to thank some of those people who made this process not only possible, but enjoyable.

First, I would like to thank my supervisor Ray Hudson for his exceptional guidance and support. For the wisdom and timeliness of your comments, I thank you. I would also like to thank Joe Painter for his support and valuable comments as a second supervisor.

The management and staff at New Dawn Enterprises have been very generous in giving their time and have been very encouraging throughout this process. I am deeply indebted to their cooperation with my research and would like to extend my gratitude to all members of New Dawn and to Rankin MacSween in particular.

I have been blessed with a wonderful family. My awareness and appreciation of that blessing has grown immensely through this process. For your faith, support, love and laughter, I thank you: Mom, Dad, Stephen, Peter and Kevin.

I would like to thank my friends from home who have supported me on this journey. In particular I would like to thank Meg, Roy, and Heather. Thank you so much for being there.

In my time spent studying in Durham, I have received two educations. The first is the formal education that has culminated in the thesis. The second I received during long talks and laughter over innumerable cups of tea, pints of beer and meals shared with all of the wonderful people I met while in Durham. By far, it is this second education that is more valuable. I would like to thank those friends who have supported and educated me over these years. For their kindness, happiness, love and incredible friendship I would especially like to thank: Marco, Angel, Kristina, Fiona, and Julie. I would also like to thank some of the many others who made life in Durham so special: Olga, Veronique, Rainer, Thomas, Eva, Maria Duaso, Maria Angelica, Marko, Jelena, Naima, Leandro, Claire, Pamela, Shilpa, Eddie, Kha Young, Nikos and David.

I would like to thank all of my colleagues in the Department of Geography for their support and friendship. It was always a joy going to work in Geography. I would like to thank Colin, Duncan, Rachel and Charles in particular for their friendship, generous support and for making sure we never took ourselves too seriously.

Finally, this thesis is only possible because of the efforts of two individuals who have supported me for many years. For their kindness, generosity, interest and support, I am deeply indebted. To Greg MacLeod, you have been a constant inspiration. I hope I can live up to the challenges you present. To Harvey Johnstone, you have been my teacher, my mentor, my friend and my colleague. It is because of your influence that I started down this road. That I have met so many wonderful people and had so many exceptional experiences is a result of your efforts. The road you have set me down has already rewarded me beyond all expectations. I am certain it will remain to do so. For all of these past and future experiences, you have my deepest gratitude. Thank you.

PROLOGUE: THE CENTRE OF THE
WORLD AT THE EDGE OF A
CONTINENT¹



¹ The title comes from the title of Corbin and Rolls (1996) book on Cape Breton culture. Pictured is the bridge and causeway to Cape Breton.

Song For The Mira

Allister MacGillivray

Out on the Mira on warm afternoons,
Old men go fishin' with black line and spoons.
And, if they catch nothin', they never complain;
I wish I was with them again –

As boys in their boats call to girls on the shore,
Teasin' the ones that they dearly adore.
And, into the evening, the courting begins;
I wish I was with them again.

*Can you imagine a piece of the universe
More fit for princes and kings?
I'll trade you ten of your cities for Marion Bridge
and the pleasure it brings.*

Out on the Mira on soft summer nights,
Bonfires blaze to the children's delight.
They dance 'round the flames singin' songs with their friends;
I wish I was with them again

And over the ashes the stories are told
Of witches and werewolves and Oak Island gold.
Stars on the river-face sparkle and spin;
I wish I was with them again

Out on the Mira the people are kind;
They'll treat you to home-brew and help you unwind.
And, if you come broken, they'll see that you mend;
I wish I was with them again

Now I'll conclude with a wish you go well:
Sweet be your dreams - and your happiness swell.
I'll leave you here, for my journey begins;
I'm going to be with them again,
I'm going to be with them again

Introduction

The purpose of this thesis is to explore alternative forms of business organization that are adapted to particular kinds of localities, *depleted communities*. This topic is explored through the example of one depleted community in particular, Cape Breton. In a sense, the thesis is an exploration of what the Cape Breton experience can teach about doing community economic development in depleted communities. Cape Breton thus is the central topic of this research. To understand this research project then, it is important to understand Cape Breton. Moreover, to understand the reason behind this research, my motivations for undertaking it, one must understand Cape Breton, for it is both my position as a Cape Bretoner and my history of interaction with Cape Breton that has made me choose this research project; that is, the topic to be explored – depleted communities and community business – is drawn from my particular Cape Breton experience. Community economic development in Cape Breton is situated within a particular economic environment, based on a particular culture and unique heritage and is expressed through a particular vision. As a native Cape Bretoner I live that economic experience; its culture and heritage is my own. As a participant in community economic development, I share that vision. Therefore my position in this project brings me closer to my study subject. However, it also raises issues of objectivity and positionality. This prologue is an attempt to introduce the reader to Cape Breton and explain my position both within Cape Breton and this research project. The prologue will, at times, be necessarily personal; I will use my experience to explain Cape Breton culture and my positionality with the research project. While the tone of the writing in the rest of the thesis will not be so personal, the thesis, perhaps more than most theses, remains so. The issue of positionality is thus important and will be discussed explicitly in chapter III.

While the topic of the thesis is, primarily, economic, it is also about the social and cultural and their interaction with the economic. The thesis holds that the two, the social and the economic, can never really be separated. This is particularly true in Cape Breton where the industrial history has become a significant part of the culture and where the community economic development (CED) project in question has as a goal of economic development that supports rather than changes the local culture. For this reason, the

connection between culture and economy, particularly within this particular CED project, it is important to understand the culture of Cape Breton. While this subject will be taken up explicitly later within this chapter, I have also inserted examples of Cape Breton cultural expressions throughout the thesis. The song lyrics, passages of literature, and poetry used to introduce each chapter are attempts to demonstrate aspects of Cape Breton culture and highlight the understanding within these artistic works of both the tensions and problems that depleted communities like Cape Breton face and the rich social cohesion and attachment to place that its people have.

The song used above, for instance, is a modern classic in Cape Breton, a place richly steeped in song and musical culture. It is characteristic of many Cape Breton songs and raises a number of issues that remain central to Cape Bretoners' lives and to this thesis as well. First and foremost it is a song about place attachment, about a love for one's homeland. For MacGillivray, the Mira, a river in Cape Breton, is a place of natural majesty, its worth measured in numbers of cities. It is a place where people are kind, where life is simple and joyous. The author truly has an appreciation for this place, his home where he and his neighbours enjoy their royal splendour and would probably demand much more than ten cities to replace it. This attachment to place is evident in many Cape Bretoners and in much of Cape Breton's cultural output through song, drama and art.

The second issue raised in the song is distance, of a Cape Bretoner being away from his/her homeland. It is a tension familiar to many Cape Bretoners, of being forced to move to find work and longing for home; of being out of work and having to contemplate the need to move away to feed one's family, comparing the benefits and losses of being displaced. The speaker in the song has left. The distance, however, is tempered by a surety in the last line that, in the end, that distance will be overcome, that "I'm going to be with them again". It is recognition that those forces pulling one home are greater than those pushing away. In many ways it is these forces that make Cape Breton a unique and important case study in community economic development.

Like many other Cape Bretoners, I have a personal connection to the Mira. I learned how to swim on the Mira. My aunt and uncle had a cottage there and we would often sing this song sitting around a campfire at night. A number of years ago the cottage was sold. My aunt and uncle had lived their adult lives in Halifax, on the mainland, having

to leave Cape Breton to find work over 40 years ago. None of their children live in Cape Breton. It made no sense to keep the cottage, particularly because it was getting old and required a lot of upkeep, and they could only make the five-hour drive down a few times each summer. Thus, the cottage, which had been in my uncle's family for several generations, was sold. Yet, whenever they are back in Cape Breton, a trip is made out to the Mira to see the river and the cottage.

The story of the cottage reflects the story of Cape Breton. Had there been opportunities in the 1960s in Cape Breton for young adults, the story may have been different. Two individuals with strong ties to the island may have stayed and *Song for the Mira* may still be sung on warm afternoons on the front step of the white cottage which peeked through the trees onto the shining Mira River. However, the economic situation, then as it does now, forces people to leave such places.

These two forces, place attachment and economic decline, play an important role in Cape Bretoners' lives and in this thesis. In essence the thesis explores how the former can be used to overcome the latter.

This research project emanates from my attachment to my place. I offer it as a piece of original research to help understand my community and depleted communities like it. It has been undertaken for a number of reasons: it is a test of personal capacity, to see if I could accomplish this; it is a practice of curiosity, a search for a better understanding of something I care about; it is also a way I feel I can help my community, to better inform practices of development within CED organizations. I offer this modest bit of understanding as a sign of gratification for my community's impact on my life. I also offer it in recognition that, if Cape Breton and depleted communities like it, are to develop, then its citizens must take responsibility for development themselves. Through this project I recognize my responsibility to my community, modest as my contribution may be. And finally, this project is a purposeful attempt to ensure that I can gain the experience and expertise needed to be able to secure a life in Cape Breton. To put in practice what insight is gained here. In short, it is a way to guarantee that "I'm going to be with them again".

In the next section I will look at Cape Breton and describe its history, economy and culture. The final section of this introductory chapter will give an overview of the thesis.

The Island
Kenzie MacNeil

Over an ocean and over a sea,
Beyond these great waters, oh, what do I see?
I see the great mountains which climb from the coastline,
The hills of Cape Breton, this new home of mine.
Oh, we come from the countries all over the world
To hack at the forests, to plow the lands down.
Fishermen, farmers and sailors all come
To clear for the future this pioneer ground.

*We are an island, a rock in a stream;
We are a people as proud as there's been
In soft summer breeze or in wild winter wind,
The home of our hearts, Cape Breton.*

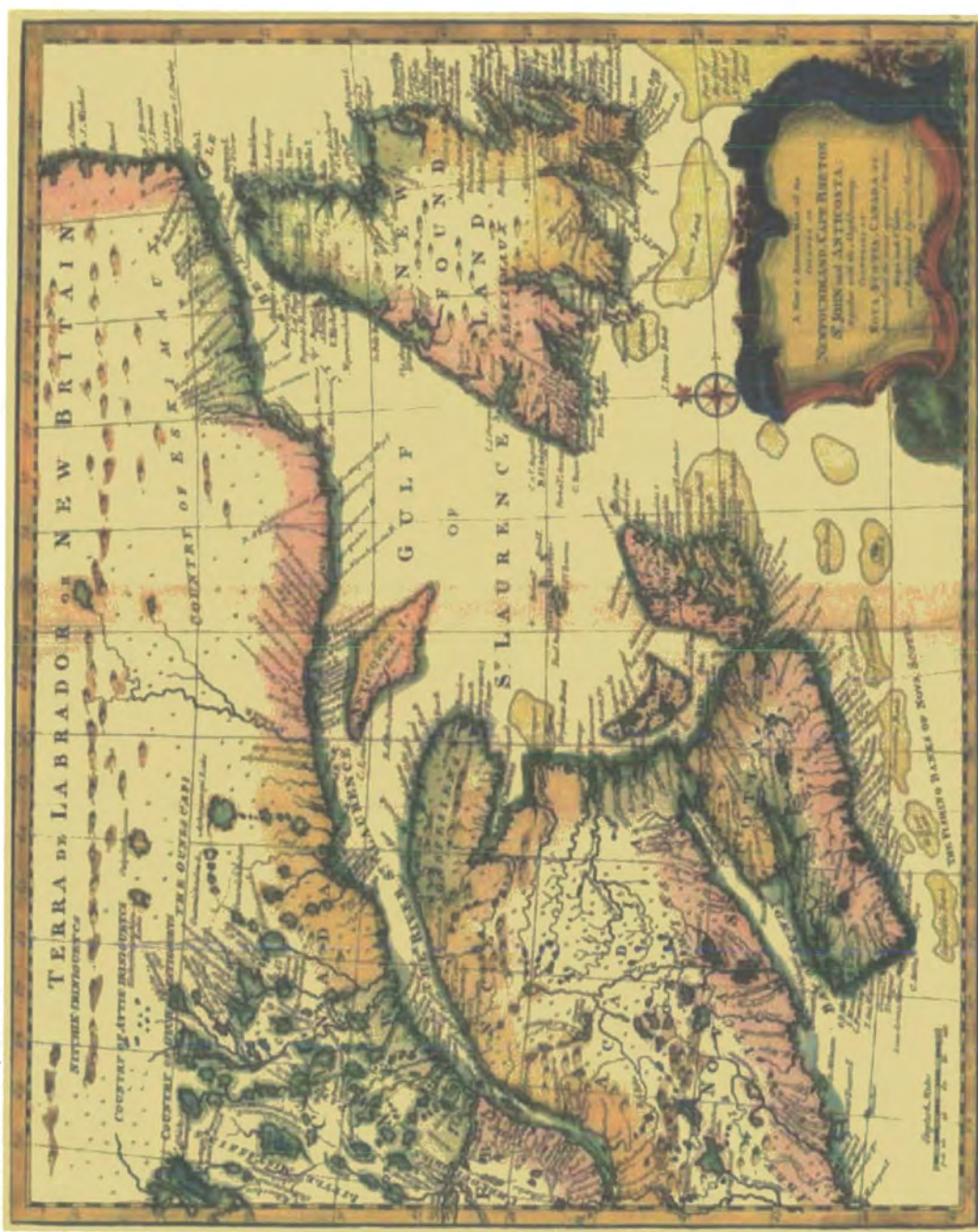
Over the rooftops and over the trees,
Within these new townships, oh, what do I see?
I see the black pitheads; the coal wheels are turning.
The smoke stacks are belching and the blast furnace burning.
And the sweat on the back is no joy to behold
In the heat of the steel plant or mining the coal,
And the foreign-owned companies force us to fight
For our survival and for our rights.

Over the highways and over the roads,
Over the Causeway the stories are told.
They tell of the coming and the going away;
The cities of America draw me away.
And though companies come and though companies go
And the ways of the world we may never know,
We'll follow the footsteps of those on their way
And still ask for the right to leave or to stay.

Cape Breton Profile

In the song “The Island”, Kenzie MacNeil traces the history of Cape Breton through three time periods. First is the arrival of the first settlers, followed by industrialization and growth of the coal mines and the steel plant and finally, industrial decline, footloose companies and out migration. It also, in the chorus, talks of the place attachment of the people, which in part has developed because of the harsh climate, both natural and economic. In this section I will follow these themes in presenting Cape Breton. First I will give a brief overview of Cape Breton’s history, focusing on the aspects that have shaped the island’s culture and its economy. I will then look at Cape Breton’s current socio-economic state to reveal the nature and consequences of depletion. Finally I will explore Cape Breton culture, its attachment to place and sense of identity.

*Figure 1 – Early map of Atlantic Canada, Cape Breton Island at centre.
Source: Bowen, c1750*



History

Early Settlers

Robert Morgan's (2000) book *Early Cape Breton* chronicles the early settlement of Cape Breton, focusing on the early settlers who brought Cape Breton up to the 20th century. The first inhabitants were Native Mi'kmaq tribes who hunted, fished and lived along Cape Breton's waterways. Europeans arrived with Viking adventurers and Basque fishermen. European settlement truly began, however, with the French, when they set up the fortress town of Louisbourg as the capital of their new world colonies. Settlement under the French, however, was limited to the few military towns and villages. Large scale civilian settlement only took place, and then hesitantly, when the island changed to British control.

The British gained control over Cape Breton in 1763 upon the signing of the Treaty of Paris. Despite Cape Breton's rich coal deposits, which were being surface mined for Louisbourg under the French, the British refused to allow permanent settlement, not wanting Cape Breton coal to compete with its own coal reserves. Thus, after the American Revolution, most loyalists settled in mainland Nova Scotia, New Brunswick and Prince Edward Island (PEI). When Cape Breton was finally opened for settlement, due to the population pressures arising from the influx of loyalist settlers, in 1784, it was the poor and destitute loyalists that it received. Cape Breton was established at this time as a colony, but was made an adjunct colony of Nova Scotia due to the low population at the time. Cape Breton, it was decided, would get its own house of assembly when populations warranted it. By 1800 Cape Breton had a population of 2500 including the British Loyalists who were centred around Sydney Harbour, a French majority living in a number of fishing villages, and approximately 450 Mi'kmaq (Morgan, 2000).

At this time the colony was struggling to survive and grow. The mines were struggling to produce and because there was not a house of assembly yet established, taxes could not be collected. Into this situation arrived a new governor, John Despard. Under Despard's leadership the mines began to produce profitably and the tax problem was circumvented by placing a tax on the estimated 10,000 gallons per year of rum that Cape Bretoners were drinking at the time (we see for the first time how little some

things have changed). Thus, Despard was able to turn the struggling colony of Cape Breton around. However, Despard was still unable to attract new settlers to the colony.

In August 1802, however, four hundred and fifteen Hebridean Scots arrived in Sydney harbour looking for land to settle, forever changing the cultural make-up of Cape Breton. Despard immediately gave them money and land near Sydney and Mira. When word arrived back in Scotland that land was available, more Scots came. Many settled in the Western region of Cape Breton near Judique and Port Hood. By 1805 the colony had doubled its population with the majority being Gaelic speaking Scots. English placed third after French as the most spoken language. Between 1802 and 1845 over 30,000 Gaelic Scots, fleeing the Highland Clearances, immigrated to Cape Breton.

The population grew with the influx of these, mostly poor, Scots to the point where the loyalist administrators could call for a house of assembly of their own. In 1820, however, instead of being granted a house of assembly and full colony status, Cape Breton was annexed to the mainland. The Cape Breton loyalists protested the annexation, claiming that Cape Breton's interests could never be served by Halifax. In the end however, when their protests were unanswered, many of the loyalists left for Halifax, to be closer to the seat of power. Thus Cape Breton was left to be governed by Halifax. The Scots, who already felt alienated culturally and linguistically by the loyalist government in Sydney, were even further removed from the governance of the island when the power was moved to Halifax. The language barrier made participation in the governance structures nearly impossible. But further, the need to hack out a living in the rough climate made that participation a low priority. Scottish Cape Bretoners, along with the other smaller groups such as the French and the Mi'kmaq, never did nor would they ever have a say in the direction and development of the island.

Industrialization

Coal was Cape Breton's biggest asset. If Cape Breton was to grow beyond initial settlement, it would do so on the basis of coal. This was understood by many of Cape Breton's early leaders. The quality of Sydney harbour and the proximity of the coalfields to the harbour made coal mining and shipment a good prospect. When Cape Breton was opened for settlement in 1784, it also opened the doors to coal mining. Mining coal profitably, however, proved to be a problem, mostly due to the

inexperience of the mine operators. Production was often inefficient and operation of the mines often shifted between government and private leases up to 1826.

In 1826, the General Mining Association (GMA) acquired the rights to Cape Breton coal and for 30 years held a monopoly on Cape Breton coal mining. In 1857 the GMA gave up many of its rights, focusing its attention on the Sydney coal field. Many new mining operations sprang up afterward. In the 1870s, competition from American and British coal made mining in Cape Breton unprofitable and protective legislation was brought in to protect the mines. Many of the operators, however, realized that protectionist policies were insufficient, and amalgamated their collieries in 1893 to form the Dominion Coal Company. The GMA was notably absent from this amalgamation.

In 1899, recognizing an opportunity to use Cape Breton coal and Newfoundland iron ore to make steel, Henry Whitney, the Boston businessman who headed the amalgamation of Dominion Coal Company, developed the Dominion Iron and Steel Company. The steel plant was located in Sydney, next to the area that bears Whitney's name. The expansion of Cape Breton mining had been attracting immigrants to the island for years. Now with the steel mill, Sydney's population boomed, growing from 9,009 in 1901 to over 20,000 by 1919, with immigrants arriving from the British Isles, Italy, Eastern Europe and the West Indies. Thus, by the turn of the century, Cape Breton was one of Canada's most important industrial regions, producing much of its coal and steel requirements. The industrial area, the area that surrounded Sydney Harbour, was one of the fastest growing regions in Canada.

The harsh work in the mines and steel mill took its toll on the men who worked there however, and consequently their families. Foreign owners would push production and keep wages low. In the first quarter of the century, the miners and steel workers staged a series of strikes to protest the working conditions and low pay. The legacy of this labour action would stay with the workers for generations. The first strike was in 1909 when the United Mine Workers of America (UMWA) began a membership drive in Cape Breton. Many miners signed up, but many did not, supporting the older but less influential Provincial Workmen's Association (PWA). The UMWA called a strike for recognition. Strikers and their families were evicted from company housing, armed troops were called in to suppress the strike and in the end the UNWA failed to achieve its goal.

The second strike occurred in 1922 after Dominion Coal was sold, along with the steel plant, to a Montreal-based syndicate who formed British Empire Steel Company (BESCO). By this time there were over 12,000 men working the pits in Cape Breton. BESCO immediately cut wages by two thirds. The union, now the Amalgamated Mine Workers of Nova Scotia, won an injunction against the cut but lost on an appeal from BESCO. Another wage cut was made two years later. The miners held a slowdown strike to protest. Again the militia was summoned and 1,200 cavalry arrived with machine guns to extinguish the strike. Credit was cut at the company store, the only source of goods to the miners and their families. After eight months, the miners returned to work with a cut in pay.

A year later, June 1923, workers at the steel plant went on strike to achieve union recognition. The province called in police officers from the mainland to quell the strike. On July 1, provincial police, using horses and clubs, attacked a group of people on Victoria Road, mostly women and children leaving church. The miners immediately went on a sympathy strike to protest the use of armed forces. The local union president and secretary were arrested and the international union refused to provide strike pay. The miners were ordered back to work and the steel workers successfully unionized.

A fourth strike occurred in January 1924 when the miners' contract ran out. The miners asked to restore wages to 1921 levels. BESCO responded by cutting wages by 20%. Again the miners walked out on a strike that lasted three months.

The final strike staged by the miners during this period is the most infamous and the most tragic. In 1925, after yet another wage cut, the miners again went on strike. The company refused credit at its stores, cut water and electricity to the town of New Waterford, and used mounted company police to terrorize the people. BESCO's vice-president, believing the miners would have to relent, said of the miners, "they can't stand the gaff". Infuriated by his comments, the miners strengthened their resolve. Public opinion was on the side of the miners; independent merchants gave credit, fishermen donated catches, expatriate Cape Bretoners in Boston sent money.

On June 11 3000 boys and men gathered in town and marched to Waterford Lake, determined to re-hook their water and electricity. They were met at the lake by 100 armed police. What is known now as the Battle of Waterford Lake began when the crowd attacked the police. While some of the police fled, swimming across the lake,

others stood and fired their weapons into the crowd. Three men were shot, William Davis, the one fatality, through the heart.²

After this period of labour unrest, BESCO was in financial trouble. In 1928 the Dominion Steel and Coal Corporation (DOSCO) was formed by C. B. McNaught and some British investors, taking over the assets of the coal mines and the steel mill. For the next 30 years the coal mines and steel mill operated with relative stability. Coal production peaked in the 1940s as Cape Breton mines fuelled the war effort.

In 1965, however, DOSCO announced that the mines had an estimated 15 years of life remaining. A year later, J.R. Donald headed a Royal Commission investigating the matter, which suggested that a crown corporation be established to take over the operations of DOSCO, with the intention of closing all operations by the 1980s.

In 1968 DOSCO announced that it would close all of its operations, steel and coal, on the island. This sparked a crisis which would have seen over 10,000 workers laid off overnight. The crisis forced the Federal and Provincial governments to intercede and act on the Donald Commission's report. The coal operations were nationalized under the crown corporation the Cape Breton Development Corporation (DEVCO). The steel mill was taken over by the province as the Sydney Steel Corporation (SYSCO). Thus in 1968 the federal and provincial government replaced the foreign companies as the major actors in the economy.

DEVCO had the dual mandate to wind up the mining operations while also promoting economic development on the island through a subsidiary branch known as the Industrial Development Division (IDD). The wind up of the coal operations, however, was halted with the advent of the OPEC crisis in the 1970s. Nova Scotia Power, the provincial power company, decided to use coal as its fuel for power generation. With a long term contract to supply coal for the power company, DEVCO actually increased its mining operations. Meanwhile the IDD failed in numerous development initiatives that sought to attract big companies to the area.

Since that time, both DEVCO and SYSCO have slowly declined, relying on large government subsidies for continued operation. The 1990s were bad years for Cape Breton. As well as the continuing decline of the mines and steel plant, in 1992 a moratorium was placed on the ground fishery. Overnight hundreds of fishermen in

² In the mining communities, the anniversary of Davis' death is still honoured as a public holiday.

villages around Cape Breton were out of work. Forestry, Cape Breton's other traditional industry, was also experiencing hard times due to the downturn in the economy. Thus both industrial and rural Cape Breton suffered through the 1990s as the traditional industries declined and collapsed.

Finally, at the dawn of the 21st century, both the provincial and federal governments gave up on the steel and coal operations. Attempts were made to sell to private operators, but in both cases a deal could not be closed. The steel plant shut down for good on January 19, 2001 and the last shift in the last Cape Breton mine was on November 23, 2001.

Since the time of DEVCO and the IDD, the federal government has had a dominant role in economic development on the island. They claimed that they would lead the economic transition from coal and steel to a modern, diverse economy, and Cape Bretoners followed, looking to the government for the promised turning point. In 1984 DEVCO was stripped of its development mandate and the IDD eventually gave way to an independent federal agency: Enterprise Cape Breton Corporation (ECBC). ECBC was an independently funded organization but also administered funds in Cape Breton for the federal government's Atlantic Canada Opportunities Agency (ACOA). Furthermore, in 1995 another government funded agency, the Cape Breton County Economic Development Authority (CBCEDA), emerged as yet another agency claiming to take the lead in local economic development in industrial Cape Breton.

After the closure of the mines and the steel plant a joint provincial and federal one-time development fund of \$80 million (Can) was offered to help kick-start the economy. A new agency, with links to ECBC, was formed to administer the fund: Cape Breton Growth Fund (CBGF). It is this alphabet soup of agencies which now control economic development on the island.

Cape Breton's industrial history has gone from growth and optimism at the beginning of the century to closure and despair and the end of the century. Throughout the last hundred years and more Cape Breton's economy and people have been controlled by a myriad of off-island acronyms. The absentee owners and off-island politicians rarely, if ever, had the welfare of Cape Breton and its inhabitants in mind. Rather they used Cape Breton to attain material and political goals elsewhere. In this

period, as in the one previous, never have the main actors been local, never has Cape Breton been master of its own destiny.

Figure 2 – Sydney's infamous 'tar ponds' and slag heaps in background on the former steel site.



Contemporary Cape Breton

Cape Breton, at least the industrial part of Cape Breton, is best understood as a depleted community. It is depleted economically. The Island suffers from one of the highest levels of unemployment in the country. As well the Island is socially depleted. The Island's social infrastructure is much less than one would expect to find in a community the size of industrial Cape Breton, but perhaps what is most important and most significant is that the Island suffers from a psychological depletion.

For the past 100 years, industrial Cape Breton has been subject to off-Island control. During the first 60 years of this century, the Island's main industries, steel and coal, were owned and operated by companies headquartered off-Island. Our memories of this period are dominated by images of violence and the visual legacy of those times, environmental blight continues to be part of our daily lives.

Over the last 40 years, the Island has been subject to a variety of failed development experiments. While the proponents of these experiments and the companies that receive the benefits have long departed, the community continues to wear the consequences of these failed efforts. For 100 years, Cape Breton and its people have been witness to and subject to failure. Any community that time and time again is subjected to thoughtless economic development prescriptions inevitably becomes suspicious of any type, kind and quality of leadership. Any community subjected to 100 years of broken promises is inclined to despair and any community forced to sustain 100 years of failure, inevitably begins to lose its sense of possibility.

Rankin MacSween, President of New Dawn Enterprises

Halifax, Tuesday, June 1, 1999

Presentation to Nova Scotia Government's Standing Committee on Economic Development

History has changed little in Cape Breton. The problems faced by the first governors of the small colony continue today. Cape Breton historian Robert Morgan (2000) writes that Cape Breton's first lieutenant governor, J. F. W. DesBarres faced "restrictive trade policies, distance from markets, a low priority in the development schemes of government, rivalry with a more powerful Halifax, and the internal squabbling of too

many people seeking too few jobs". These problems have been exacerbated by the decline of industry which has left a legacy of environmental waste and social despair. The following sections will examine the contemporary outcome of this history on Cape Breton's economy and socio-cultural heritage.

Figure 3 – Detail map of Cape Breton



Economy

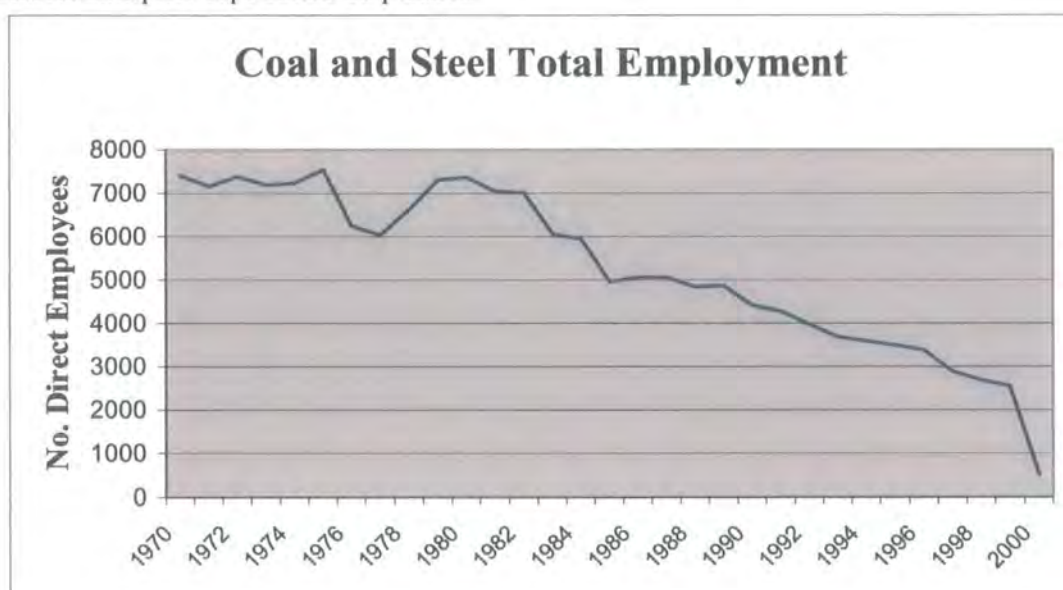
The slow deaths of the mines and the steel plant have had a severe effect on the Cape Breton economy, particularly in the industrial area. The industrial area of Cape Breton comprises of a number of towns and villages surrounding Sydney Harbour. Those towns and the outlying areas were amalgamated in 1995, forming the Cape

Breton Regional Municipality (CBRM), which follows the borders of the County of Cape Breton.³ The CBRM (population = 109,330) is the second largest municipal unit in the province of Nova Scotia behind Halifax (359,183). CBRM and Halifax are the only two municipalities in Nova Scotia with a population over 100,000.

For the past 40 years, since the Donald Commission and DOSCO's announcements of closure the economy has declined, unemployment has risen and Cape Breton gained its reputation as a place dependent on government.

Figure 4 – Coal and Steel Employment Cape Breton County

Source: Enterprise Cape Breton Corporation



Employment levels are the most often quoted sign of the economic troubles in Cape Breton. Unemployment rates are often two and three times above the provincial and national averages. The unemployment rate on Cape Breton for 2001 was 17.0% compared to a provincial average of 9.7% and a national average of 7.2% (see Table 1). In the last ten years Cape Breton's rate has fallen from its 1993 peak of 25.3% (Table 2) due mainly to numerous new call centre jobs and continued out-migration of the

³ In this section the CBRM will be the territory in focus. However, economic and demographic data are not always available at this level. Therefore when talking about 'Cape Breton' it should be noted that I am referring to the whole island, not just the CBRM. However, CBRM represents approximately 73% of the population of Cape Breton. Furthermore, while CBRM has the same boundaries as Cape Breton County, it does not include the two native reserves within Cape Breton County, the combined population of which is approximately 3000, or less than 3% of the population of Cape Breton. Thus, while the statistics used in this section may not all relate to the exact territory, they are all descriptive of general trends within the target territory.

working age population (see Table 6) as well as a general increase in the economy from the recession in the early 1990s.

The unemployment rate, however, is a poor measure of the situation and actually understates the problem. In actual fact the unemployment rate is probably much higher. The participation rate in Cape Breton is just 54.0% which is much lower than the provincial (62.4%) and national (66.0%) average (see Table 1). This indicates that there is a reserve of people who would be willing to join the workforce if the possibility for employment was more real. Thus the unemployment rate skews the actual picture. A better measure is the employment rate which shows that Cape Breton is currently 11.5% below the provincial average and 16.4% below the national (Table 1).

Table 1 – Labour Information 2001

Source: Nova Scotia Statistical Review 2001, Statistics Canada Labour Survey

Region	Population (000s, 15+)	Labour Force (000s)	Employment (000s)	Unemployment Rate (%)	Participation Rate (%)	Employment Rate (%)
Canada	24,617.80	16,246.30	15,076.80	7.2	66.0	61.2
Nova Scotia	751.6	468.9	423.3	9.7	62.4	56.3
Cape Breton	121.8	65.8	54.6	17.0	54.0	44.8
Halifax	292.3	204.2	189.8	7.1	69.9	64.9

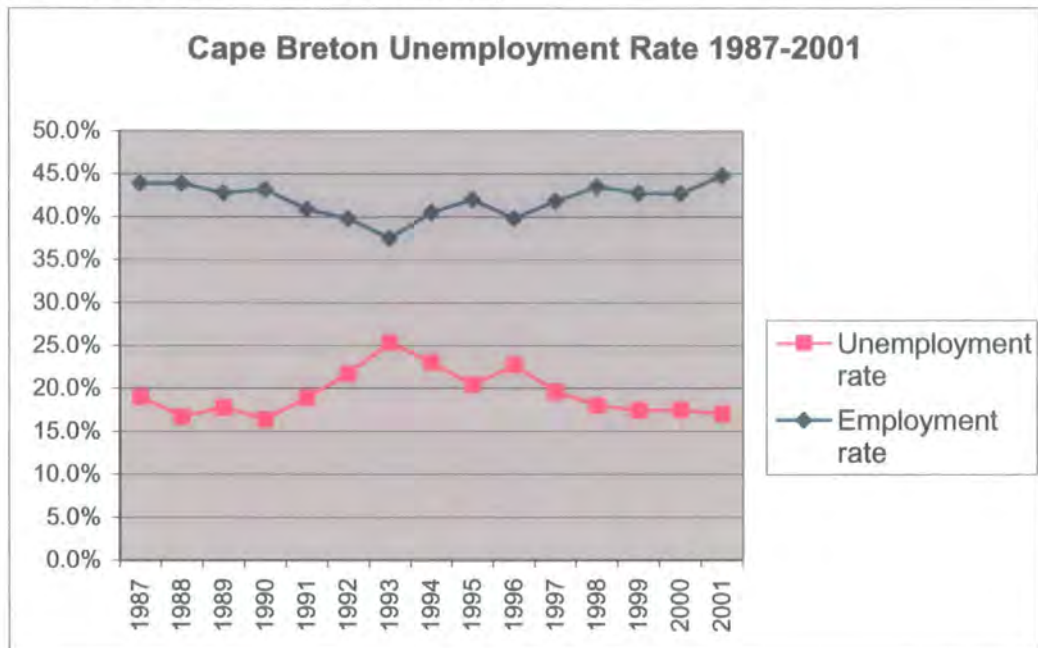
Table 2 – Cape Breton Labour Information 1996-2001

Source: Nova Scotia Statistical Review 2001, Statistics Canada Labour Survey

CB Island	Population aged 15+	Labour Force	Employment	Full Time	Part Time	Unemployment	Not in Labour Force	Unemployment rate	Participation rate	Employment rate
1987	126,000	68,300	55,300	45,700	9,600	13,000	57,700	19.0%	54.2%	43.9%
1988	125,600	66,300	55,200	45,900	9,400	11,100	59,300	16.7%	52.8%	43.9%
1989	125,200	65,300	53,600	43,800	9,900	11,600	60,000	17.8%	52.2%	42.8%
1990	124,900	64,500	54,000	46,200	7,700	10,600	60,300	16.4%	51.6%	43.2%
1991	124,900	63,000	51,100	42,500	8,700	11,900	61,900	18.9%	50.4%	40.9%
1992	125,400	63,700	49,900	41,100	8,800	13,800	61,600	21.7%	50.8%	39.8%
1993	125,700	63,300	47,200	38,000	9,300	16,000	62,400	25.3%	50.4%	37.5%
1994	125,800	66,400	51,000	41,100	10,000	15,300	59,400	23.0%	52.8%	40.5%
1995	125,500	66,100	52,700	42,000	10,600	13,500	59,400	20.4%	52.7%	42.0%
1996	125,100	64,400	49,800	40,200	9,600	14,600	60,700	22.7%	51.5%	39.8%
1997	124,600	64,800	52,100	40,900	11,200	12,700	59,700	19.6%	52.0%	41.8%
1998	123,800	65,600	53,800	42,600	11,200	11,800	58,100	18.0%	53.0%	43.5%
1999	123,200	63,800	52,700	41,200	11,400	11,100	59,400	17.4%	51.8%	42.8%
2000	122,800	63,500	52,400	42,000	10,300	11,100	59,300	17.5%	51.7%	42.7%
2001	121,800	65,800	54,600	43,800	10,800	11,200	55,900	17.0%	54.0%	44.8%

Figure 5 – Cape Breton Labour Rates 1987-2001

Source: Statistics Canada Labour Force Survey



Because employment levels are so low, with less than half the population employed, the population has had to search for other means of support. This is reflected on the dependency on government transfers in CBRM. The economic dependency ratio measures the degree to which an area is dependent upon government transfers. It is defined as “the sum of transfer payments received as benefits in a given area, compared to every \$100 of employment income for that same area” (Nova Scotia Statistical Review 2001).

A comparison of Cape Breton’s dependency ratio shows a higher than average dependence on government transfers (see Table 3). CBRM’s economic dependency ratio in 1997 was 47.2, meaning that for every \$100 in employment income into CBRM there was a corresponding \$47.20 in government transfers of one sort or another. CBRM’s rate is over double Halifax and Port Hawkesbury’s⁴ rates and just under double that of the province. Figure 6 shows the breakdown of transfer payments to CBRM. Government pensions are the largest single category of transfer. This reflects Cape Breton’s population skew towards an elderly population. The second and third highest categories are employment insurance and social assistance, reflecting the need for unemployed non-working people to rely on government assistance for basic needs.

⁴ Port Hawkesbury is the second largest municipal unit on Cape Breton (1997 levels).

Figure 7 displays a breakdown of economic dependency ratios for communities within the CBRM. The graph shows how former coal mining areas have the highest ratios. Sydney Mines, Scotchtown, New Victoria, Donkin, Glace Bay, New Waterford, Reserve Mines, Port Morien are all former mining areas. Gabarus, the community with the highest dependency ratio, is a small fishing community that has been particularly hard hit by the downturn in the fishery. The areas which have fared better within CBRM, Sydney, East Bay, Sydney Forks, tend to be the sub-urban areas within and outside of Sydney where many of the professional and white collar workers would live.

Table 3 – Economic Dependency Ratios – 1997
Source: CBRM Planning Department, Nova Scotia Statistical Review 1999

Region	EDR
CBRM	47.2
Halifax	17.7
Port Hawkesbury	19.2
Nova Scotia	26.0

Figure 6 - CBRM Economic Dependency Breakdown 1997
Source: CBRM Planning Department

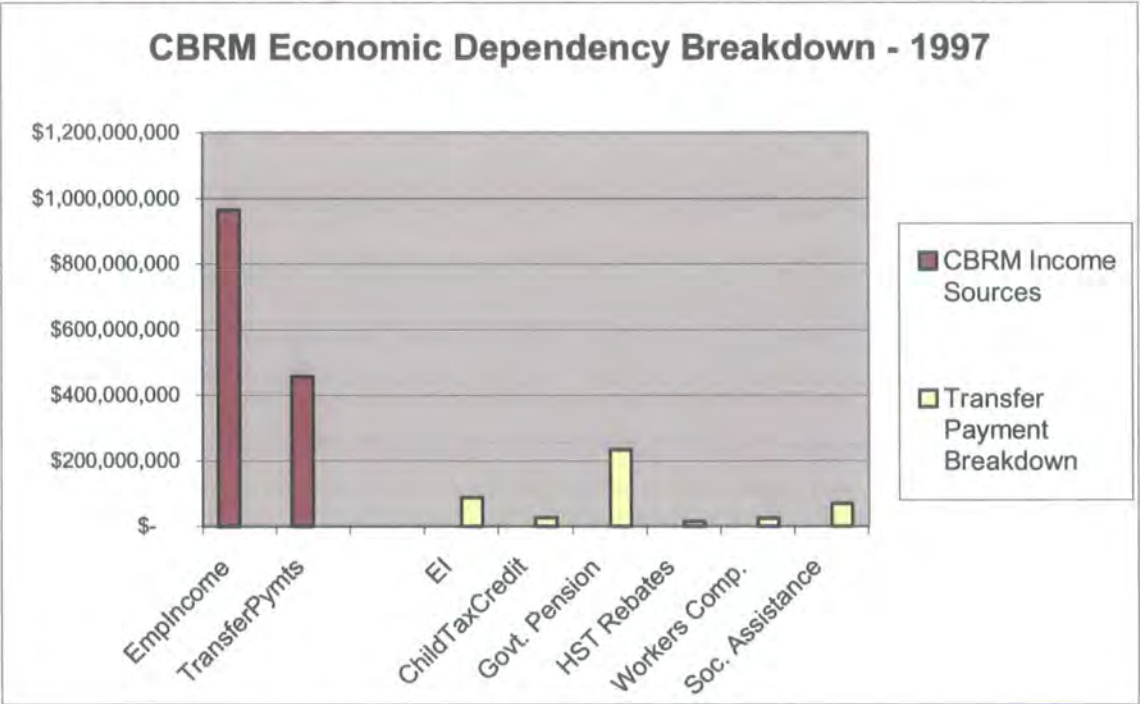
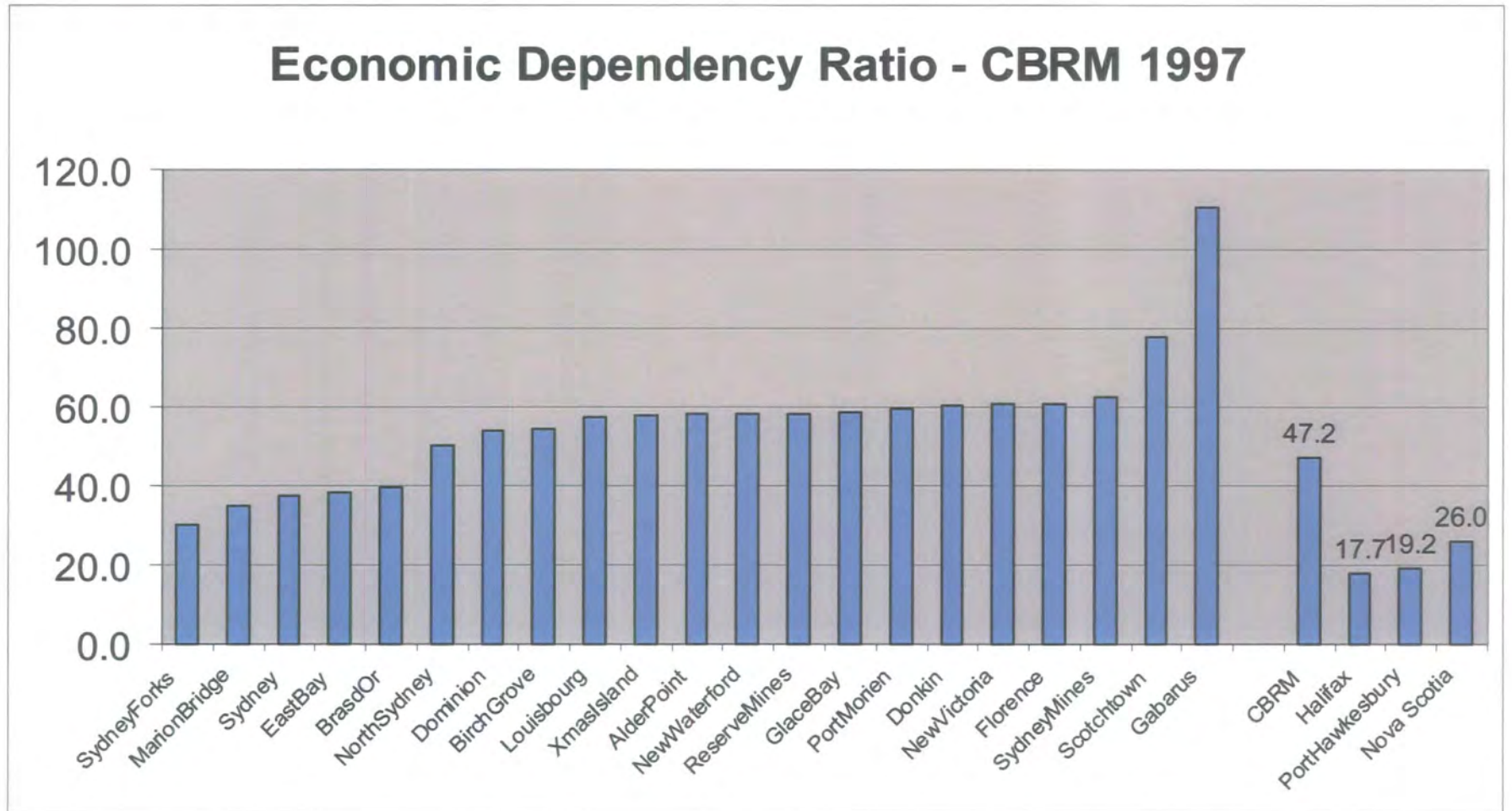


Figure 7 - CBRM Economic Dependency Ratios 1997 – Communities
 Source: CBRM Planning Department



Not only is Cape Breton more dependent upon government transfer, but the wages are also lower on average. Table 4 shows Cape Breton Island and Cape Breton County's average income is almost \$4,000 less than the provincial average and over \$8,000 less than the Halifax average. Cape Breton County's wages are concentrated at the low end of the scale with 61.7% of tax filers earning under \$20,000 compared with 55.6% provincially and 47.7% in Halifax. Furthermore, when comparing high income earners, Cape Breton County has less than half of the proportion of Halifax in terms of tax filers reporting incomes over \$50,000.

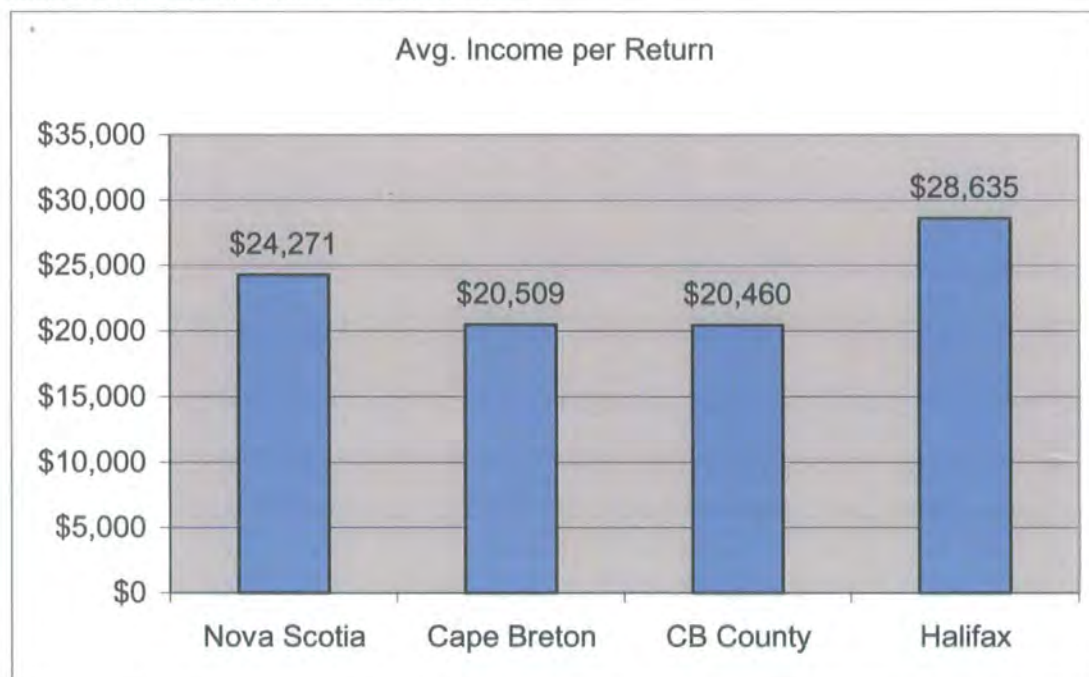
Table 4 – Income Tax Returns 1998

Source: Nova Scotia Statistical Review 2001

	Average Income per Return	Distribution by Income Group (%)						
		Under \$5,000	\$5,000- \$10,000	\$10,000- \$20,000	\$20,000- \$30,000	\$30,000- \$40,000	\$40,000- \$50,000	Over \$50,000
Nova Scotia	\$24,271	14.4%	13.9%	27.3%	16.1%	11.2%	7.5%	9.7%
Cape Breton	\$20,509	15.8%	15.8%	30.4%	15.9%	9.7%	5.9%	6.4%
CB County	\$20,460	15.8%	16.2%	29.7%	16.2%	9.9%	6.1%	6.1%
Halifax	\$28,635	12.6%	12.4%	22.7%	16.5%	12.9%	9.2%	13.7%

Figure 8 – Average Income per Tax Return 1998

Source: Nova Scotia Statistical Review 2001



Perhaps a better look at the nature of the depletion in Cape Breton comes from an analysis of its population trends. As figure 9 shows, CBRM's population began declining in the early 1960s, at the time when production in the mines and steel plant began to drop. This trend has continued right up to the present day; the economy and population have been declining in Cape Breton for over 40 years. In fact, the CBRM was the leading region of population decline in Canada in the period 1996-2001 for counties with populations above 100,000, with a decline of 7.2% (Nova Scotia Statistical Review, 2001).

Figure 9 - Population Change, Cape Breton Regional Municipality: 1941-2001
Source: CBRM Planning Department

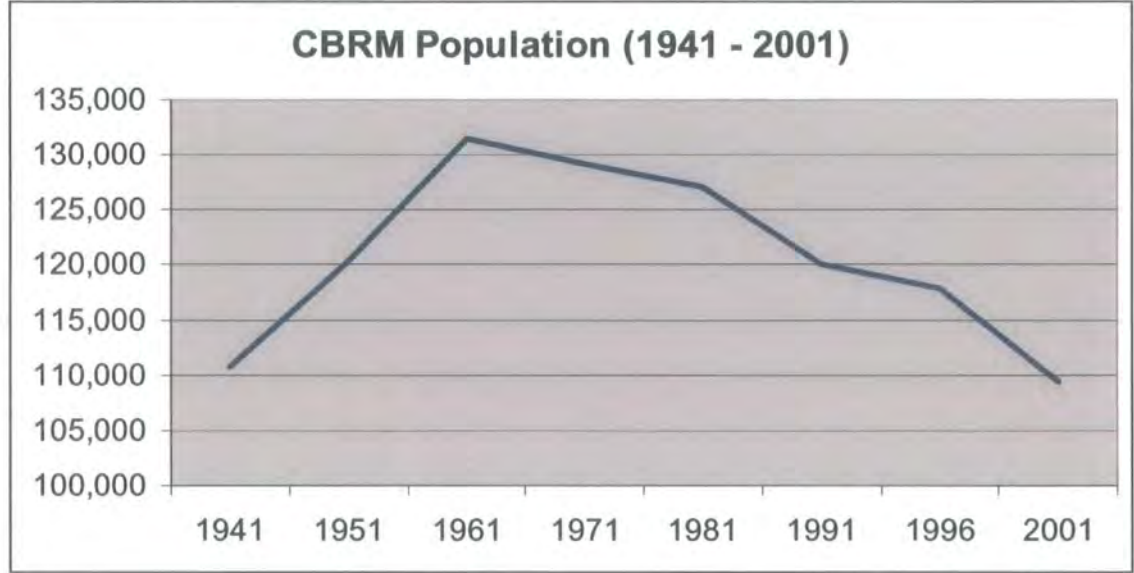
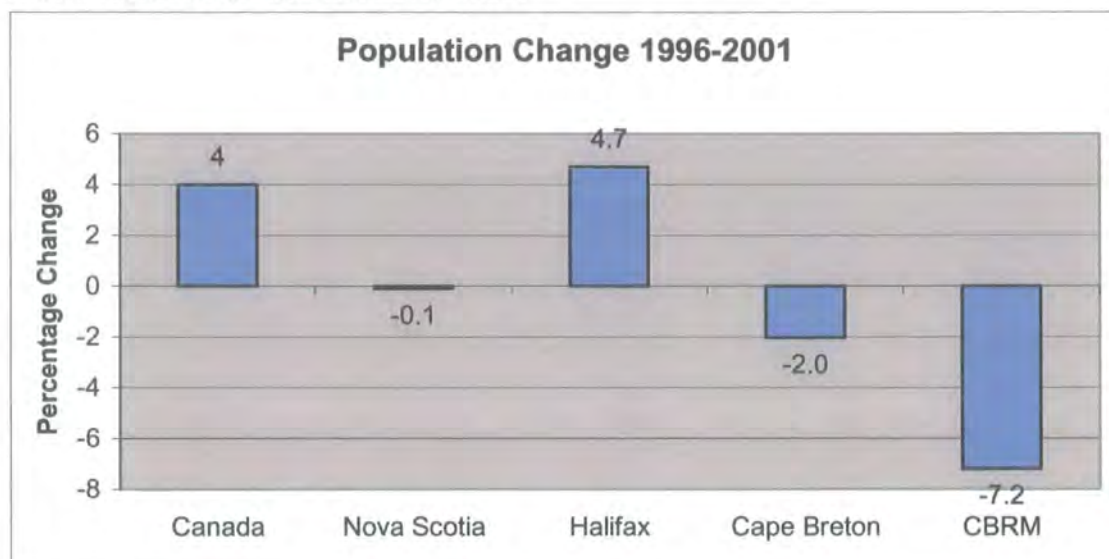


Figure 10 – Population Change 1996-2001 – Selected Regions

Source: Nova Scotia Statistical Review 2001



While the inception of the population decline may have been a consequence of a downturn in the local economy, it is also part of a cycle of decline that fuels itself. The CBRM lost 5,194 migrants between 1995 and 1999 (Table 5). However, the breakdown of those migrants according to age shows a more detailed picture of who is moving in and out of the CBRM (see Table 6). Over half of the net migration loss is comprised of young people between the ages of 18 and 24. A further quarter is made up of 25 to 44 year olds. Cape Breton is exporting significant populations of its young and working age populations. This 'brain drain' has implications on the possibilities for endogenous development as the young and educated leave the area.

Table 5 – Migrant Activity 1995 to 1999

Source: Nova Scotia Statistical Review 2001

	Nova Scotia	Halifax	Cape Breton	CB County
In-Migrants	169,775	79,981	15,944	10,215
Out-Migrants	165,706	70,321	22,153	15,409
Net-Migration	4,069	9,660	-6,209	-5,194

Table 6 – Cape Breton County Migrant Activity 1995 to 1999

Source: Nova Scotia Statistical Review 2001

Cape Breton County	0-17	18-24	25-44	45-65	65+	Total
<i>In-Migrants</i>	2,524	1,694	4,098	1,443	456	10,215
<i>Out-Migrants</i>	3,348	4,559	5,425	1,408	669	15,409
<i>Net-Migration</i>	-824	-2,865	-1,327	35	-213	-5,194

Another measurement of depletion in Cape Breton is capital flows. How much money is being invested on the island and within CBRM? How much capital leaves? Unfortunately, such measurements are not systematically collected at the regional or municipal level. Thus we have to use other measures to infer the trends.

One such indicator is the value of building permits issued within a region. Table 7 shows the value of building permits issued in 2000. Table 8 shows the value of the building permits as a percentage of the Nova Scotia total and then compares it with the population distribution. From this table it is clear that CBRM receives approximately half of the investment in building that one would expect based on its population distribution. Figure 11 shows the per capita expenditure on building permits as a percentage of the Nova Scotia average. The chart shows that the CBRM and Cape Breton receive just fractions of the per capita expenditures on building when compared to Nova Scotia. Halifax by contrast receives much more than the provincial per capita average. This shows that capital investment in fixed assets (buildings) is much lower in Cape Breton and CBRM than one would expect based on provincial averages.

Table 7 – Nova Scotia Building Permit Values - 2000

Source: Nova Scotia Statistical Review 2001

	Residential	Industrial	Commercial	Institutional and Government	Total
Nova Scotia	\$ 505,385	\$ 54,042	\$ 207,099	\$ 111,953	\$ 878,479
Cape Breton	\$ 43,851	\$ 3,952	\$ 21,801	\$ 16,806	\$ 86,410
CBRM	\$ 25,600	\$ 3,331	\$ 16,849	\$ 9,508	\$ 55,288
Halifax	\$ 282,824	\$ 15,265	\$ 133,329	\$ 62,045	\$ 493,463

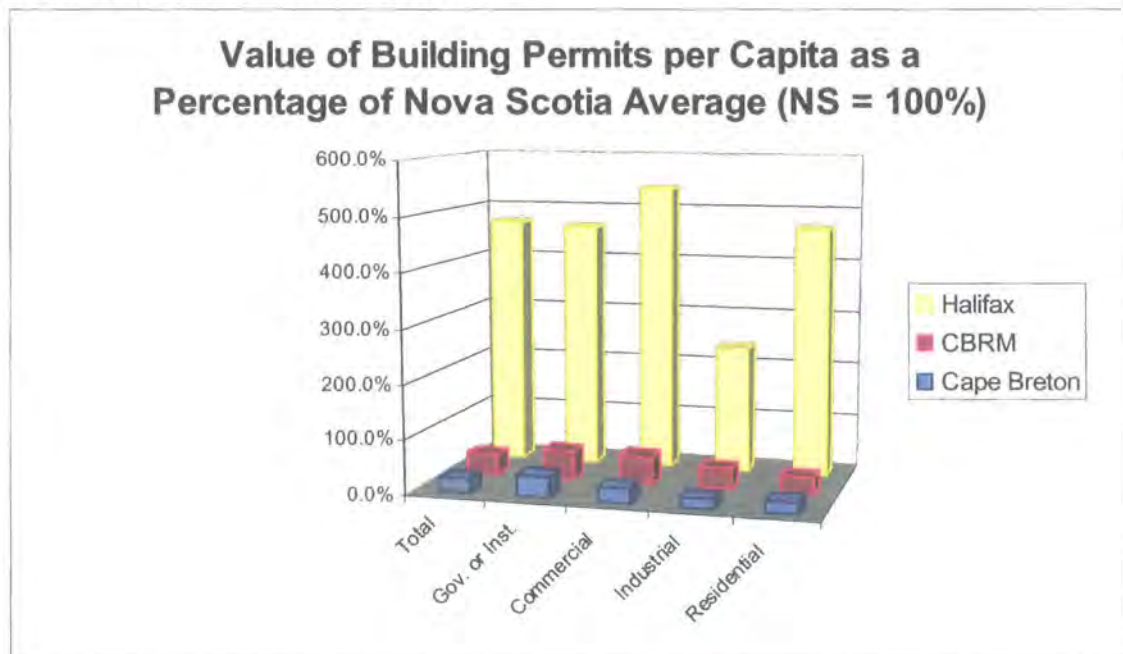
Table 8 – Value of Building Permits as a Percentage of Nova Scotia Total Compared with Population Distribution - 2000

Source: Nova Scotia Statistical Review 2001

	Residential	Industrial	Commercial	Institutional and Government	Total	Population Distribution
Nova Scotia	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cape Breton	8.7%	7.3%	10.5%	15.0%	9.8%	16.5%
CBRM	5.1%	6.2%	8.1%	8.5%	6.3%	12.0%
Halifax	56.0%	28.2%	64.4%	55.4%	56.2%	39.6%

Figure 11 – Value of Building Permits per Capita as a Percentage of Nova Scotia Average - 2000

Source: Nova Scotia Statistical Review 2001



In an economic climate such as CBRM's, particularly with its dominant industrial past, one would expect the level of entrepreneurship to be less. Those entrepreneurs that do emerge, however, face serious challenges. Financing small business in CBRM is very difficult. The major banks do not have local control over commercial financing and approve few commercial loans in such a risky economic environment. Furthermore, there is a serious gap in the availability of venture capital. With the exception of BCA, a small community-based fund, there are no formal venture capital firms operating within Cape Breton. Johnstone and Lionais (1999) found that the availability of informal venture capital, or angel investments, was a serious problem for the growth of small, particularly technology-based firms, in Cape Breton. Most entrepreneurs in the 1999

study were having difficulties securing any kind of growth capital. The conclusion is that there is little capital being invested in the built environment or indigenous business in Cape Breton. Very little money is flowing in through non-government channels.

The picture of the Cape Breton economy painted here is bleak. It is that of a resource economy that has collapsed. Nothing has replaced it. There is high unemployment, high economic dependency and low incomes. There is significant out-migration, particularly of the young and educated. There is little capital investment in Cape Breton, and in all probability, though not measured here, a large capital outflow through imports and investment of savings in off-island funds. The major banks invest very little, if any, in Cape Breton and the local credit unions do not offer commercial loans. Cape Breton is depleted and continues to be depleted as resources, people and capital leave the island. This bleak economic picture is in contrast to the vibrant social and cultural state of Cape Breton.

Cape Breton Culture

The roots of Cape Breton culture are undeniably Celtic. That Celtic culture is mixed with a number of immigrant and native cultures such as Mi'kmaq, French, Ukrainian, Italian, Polish, etc. The island's sense of humour, its art and music, its humble demeanour and perhaps its grudge towards a government it does not feel is its own has its roots in, or flavours of, its Scottish ancestry. The modern Cape Breton culture, however, is also a product of the history of its people after they arrived.

The labour unrest in Cape Breton industry during the 1920s, for example, still resonates today. The images of families thrown out of their houses without food and shelter in mid winter, of provincial policemen beating churchgoers, of three-times being invaded by the Canadian army and machine gun nests erected in our own communities, of William Davis at Waterford Lake; these images are still alive today. They have fuelled the distrust of those 'from away', particularly those from government and industry. These images have created strong identities of community and solidarity. And, above all, they have made Cape Bretoners determined always to prove that they can 'stand the gaff'.

Cape Breton culture is also, I believe, a product of the geography of Cape Breton. It is created by the isolation of an island at the edge of a continent which juts out into the Atlantic Ocean. It is chiselled by the hard Atlantic storms and the awareness and respect

our ancestors had to have for such weather. It is softened by the gentle hills and valleys of interior Cape Breton. It finds a joie-de-vivre in the soaring highlands and the glistening Bras d'Or lakes.

The immigrants that came to work the mines and the steel factory arrived at the beginning of the century; many of the Scots came much earlier. Since that time, however, there has been little immigration to Cape Breton, thus the communities that exist are very stable in their social systems. Family histories go back generations and are rooted in particular places, particular communities. The social networks that are embedded in the island are strong and meaningful. A sense of communal cultural identity emerges out of these influences: ethnicity, heritage, landscape.

This short description is my view of Cape Breton culture, from the position of an insider, not as an academic. It is what I feel rather than what I have uncovered through research. The purpose of this prologue is to introduce Cape Breton culture and describe it as it is the setting and, in many ways, the tool of community economic development. Some have studied Cape Breton in a more formal academic way. Carol Corbin (Corbin and Rolls, 1996), for instance, finds several themes in Cape Breton cultural studies including: 1) an importance placed on social interaction, 2) importance of orality (including music), and 3) a humour that endures hardship. These indeed are important aspects of Cape Breton culture. However, to really understand Cape Breton and its people, I feel it is best to experience Cape Breton culture. It is to that task that we turn now, to examine Cape Breton, briefly, through its cultural output.

Cape Breton's cultural output is astounding. What Cape Breton lacks in economy it more than makes up for in its art, particularly music. Cape Bretoners often dominate Canadian music to a degree disproportionate to its size. Music is a very important part of Cape Breton culture and is used to talk about other aspects of life in Cape Breton. For instance, in this song by Allister MacGillivray, *The Lovely Gut of Canso*, Cape Breton's sense of identity and community is highlighted, with tongue planted firmly in cheek, through a clear identification of who we are and who are 'from away'.

The Lovely Gut of Canso
Allister MacGillivray

*We are the good folk of Cape Breton,
But the shaft we're always getting'
Both from press and politician –
And we mean to have our say.
We're a people wise and kind, sir,
As civil as you'll find, sir –
Place a kiss on our behind, sir,
If you don't see it that way.*

*Dearest Lord, we'd like to thank you
For the lovely Gut of Canso;
It divides us from the land so handy
On the other side.*

The song, with characteristic Cape Breton humour, shows the grudge 'Capers' have for politicians and the affairs of the mainland which lies across the Gut (Straight) of Canso. The song is reminiscent of an old Cape Breton prayer, "Especially do we thank thee, O Lord, for the Gut of Canso, Thine own body of water which separateth us from the Wickedness that lieth on the other side thereof. Amen."

Both the prayer and MacGillivray's song hint at Cape Breton pride. Not only does Cape Breton have a deep sense of identity, but also a great pride in that identity. Kenzie MacNeil's song *The Island*, used to introduce this section of the chapter, highlights that pride.

*We are an island, a rock in a stream;
We are a people as proud as there's been
In soft summer breeze or in wild winter wind,
The home of our hearts, Cape Breton.*

This song resonates with Cape Bretoners so much that it has been adopted as the unofficial anthem of Cape Breton.

Cape Breton music is also used to talk about its people and their character. *Song for the Mira*, by Allister MacGillivray, does this magnificently. In his song, used at the beginning of the chapter, we get a glimpse of the people who populate the island. It is a picture of people who enjoy a slow pace of life, simple pleasures; people who are hospitable and caring. In *Song for the Mira* we see a picture of people who value social interaction. 'Going fishing with a buddy' is more important than catching a fish, beach

parties and campfires are the focus of socializing and doors to people's homes are always open to visitors.

Song for the Mira also shows a deep attachment to place. The social interaction, which is so meaningful, is also deeply rooted to place, and so place comes to have a special value in Cape Breton too. It is not simply the people, but the land that is important. This theme comes out strongly in Rita MacNeil's song *Home I'll Be*. In this song people and place are intertwined. The song is sung to a Cape Breton personified but in doing so recognizes the influence of the landscape on the singer. Cape Breton as a synthesis of the physical and human is home.

Home I'll Be

Rita MacNeil

I see the mountains, feel the salt air
I have reasons to behold
All the wonders that never cease to be
You're as timeless as the water
You're as gentle as the fields
I caress you oh Cape Breton in my dreams

And you never let the hard times
Take away your soul
And you stopped the tears from falling
As you watched the young ones go
You're as peaceful as a clear day
You're as rugged as the seas
I caress you oh Cape Breton in my dreams

*And home I'll be
Home I'll be
Banish thoughts of leaving
Home I'll be*

While describing the attachment to place and influence of the landscape on Cape Bretoners, MacNeil's song also raises several other themes in Cape Breton music. First it brings in the theme of the economy and Cape Breton's 'hard times'. It also, on a related note, introduces the internal conflict Cape Bretoners experience over leaving their island. MacNeil banishes thoughts of leaving herself but recognizes that others, the young, are forced to go. Cyril MacPhee's song *Cape Breton's Crying*, also personifies

Cape Breton but speaks directly to being forced through circumstance to leave and the sadness associated with it.

Cape Breton's Crying
Cyril MacPhee

Cape Breton's crying her heart out today,
As the road calls me to leave.
And though I thirst for the taste of her tears,
The circumstance just won't let me stay.
And though I'm not sure of the road before me,
I know so well those behind.
My mind says one thing
But my heart says another,
As she fades away with the passing of signs.

*Cape Breton's crying her heart out today,
I must be going, I must be on my way.
Cape Breton's crying, and with her my tears fall,
For I must be going once again and leave her call.*

MacPhee's song relates the story of someone who leaves periodically to find work on the mainland. It was written as he was leaving Cape Breton for another tour on the mainland. Alastair MacDonald's song *Headin' for Halifax* follows the same theme but presents the case of a young man who has no idea of whether or not he will ever be able to return. It is written with deep sentiment, showing an attachment to place, but also with an anger at being forced to leave. When sung properly, there is a rising anger through the first three lines of the chorus which is immediately softened by the comfort and sad recognition in the fourth line that there will be others from home wherever one goes.

Headin' For Halifax
Alastair MacDonald

Late spring, the trees have turned green.
There's sheep on the hills and birds on the wing.
Over my shoulder the last time I'm seein'
The old home all weathered and grey.

We talked till three, my father and me,
And the fiddle tunes flowed like the clear Margaree
"Never forget who you are, son" said he,
As I followed my brothers away.

*Now I'm headin' for Halifax to see what's to spare
In the way of some work and if there's nothin' there
It's Toronto or west to God-only-knows-where,
But there's bound to be friends from back home.*

*One thing I know, wherever I go
My heart's in Cape Breton; it will always be so.
Whenever a fiddler rosins the bow,
My first and last thoughts are of home.*

For those Cape Bretoners who are living away there is a nostalgia about, and a pull towards, home. Many find life in the big cities and far off towns somewhat meaningless in comparison to the deep social connections of family and community at home. Cyril MacPhee's song *Home Again* alludes to many of those feelings, again with a touch of humour.

Home Again
Cyril MacPhee

I left my home in the Maritimes some 20 years ago.
I went to work in a diamond mine in the land of ice and snow.
The cold it seemed would never end, it made me quite contrary.
So I saddled up an old John Deere and rode across the prairie.

*Singin over the causeway up to the Margaree,
Singin 'Song for the Mira' with a lassie on my knee
I'll shout from Kelly's Mountain right clear across Bras d'Or,
I'm home again, I'll never leave this island anymore.*

In Ontario I learned some things I never needed knowin'.
In Sudbury, the nickel town, it never would stop snowin'.
Of Calgary and Edmonton, I think I've seen the last,
It's hard to find the lobster in that land of oil and gas.

The work was hard, those kettle yards required special trainin',
So Westward I went to the coast where everyday it was rainin'.
And then one day out in the fog I had enough of this,
I'm headin' back home to the Maritimes to the place I dearly miss.

Through the music of Cape Breton we can hear many themes of life important to its people and its culture. First and foremost is a celebration and practicing of that culture, through music and through everyday life. There is a sense of pride and identity in the music. There is a celebration of a way of life and of meaningful social interaction. There

is a deep attachment to place. There is also a sadness and anger at being forced to leave but added to that a recognition of the ties that bind. It is through the music, the musicians, the celebrations at festivals and dances in fire halls, and the stories that the songs tell that we can most easily learn of the culture of Cape Breton. This vibrancy of culture expressed in, but not limited to, music is in stark contrast to the state of depletion that the economy is in. It is one of the paradoxes and unique characteristics that make Cape Breton interesting and important.

Perhaps one final theme that runs through Cape Breton culture is its optimism. Cape Breton's clear sense of identity has withstood many years of change in the outside world. That stubbornness of almost naïve self-righteousness, the resolution to 'stand the gaff' which enabled Cape Bretoners to fight against impossible conditions in the 1920s also enables us to remain, despite all economic rationale, in our communities today. It is a collective feeling that if we hold on to what is dear, and remain steadfast in our belief in ourselves, then we will 'get through' and Cape Breton will have its day. If MacNeil's *The Island* is the anthem of Cape Breton, then it is Leon Dubinsky's *Rise Again* that is its mantra.

Rise Again
Leon Dubinsky

The waves roll on over the water, and the ocean cries.
We look to our sons and daughters to explain our lives.
As if a child could tell us why,

*That as sure as the sun rise,
As sure as the sea,
As sure as the wind in the trees,*

*We rise again in the face of our children
We rise again in the voices of our song
We rise again in the waves out on the ocean.
And then, we rise again.*

Thesis Outline

The thesis begins in chapter I with a review of the literature on uneven development. These theories of economic geography are used to explore and demonstrate the structural inherence of uneven development in the capitalist system. The chapter will also explore how the structure of the modern economy largely excludes peripheral areas from economic development. In such areas, the potential for traditional or market-lead development is low. While these theories of economic geography are useful for understanding the problem of uneven development, they are of little solace to people who live in such regions. Therefore, the problem of uneven development is re-examined from the point of view of the losing region. The term 'depleted community' is used to understand this point of view. The term contrasts the economic problems of depletion with the social benefit of community. The term highlights the negative impact of economic forces but also recognizes the social aspect of people living in communities. Through this understanding of uneven development, there are different conclusions reached regarding the implications for development of such places. While recognizing that there is a dearth of economic resources, the term also acknowledges the existence of social resources (community). The availability of these resources suggests both that they can be used to overcome the lack of economic resources and that they can be used to create new economic resources. That is, in a depleted community, if development is to occur, it can be expected to be based on the resources of 'community'.

Chapter II explores the concept of economic development based on community. Thus it reviews the literature on community economic development (CED) and social economy. CED, it argues, is a diverse field that has multiple and not always compatible definitions. There are, however, some broad distinctions that can be made. For instance, *liberal* CED attempts to use mainstream mechanisms for development within the community. *Progressive* CED, by contrast, aims to create an alternative system of economic development. Thus progressive CED uses the assets of community to create new economic structures. This latter definition fits better with our understanding of the depleted community and its possibilities for development.

Within this understanding of CED as a socially progressive and alternate form of economic development, CED was described as having three basic characteristics. First CED was defined as being locally rooted. That is, CED had to be tied to a particular geographic community. Second, CED was understood as a means of producing wealth.

That is, CED has to be financially self sufficient, it must be profitable. Third and finally, CED was understood as incorporating a social vision. Thus profit and wealth creation are not seen as ends but as means to a social goal. This definition of CED understands CED as a tool for the depleted community, as a means to economic development based on the assets of community. An organization that combines these three characteristics can be called a community business.

In Chapter I the problematic of the thesis is set up: the problem of creating economic development in a depleted community. How does one start and succeed in business when operating in a hostile economic environment? Chapter II suggests a means to addressing that problematic – through establishing community businesses. From this point the research project sets out to explore two such community business organizations to understand their emergence and success. Chapter III outlines the research methodology used in going through that research process. The two case studies chosen are the Mondragon Cooperative Corporation in Spain and New Dawn Enterprises in Cape Breton. The approach of studying Mondragon differs from the approach in Cape Breton. In Mondragon the case study was conducted almost entirely through secondary sources. Cape Breton, by contrast was studied using a number of approaches including key participant interviews, document analysis, focus groups and participant observation. Chapter III also discusses my positionality within the research project. That positionality, I argue, has both challenges and advantages. In particular, as an ‘insider’ I had to be aware of my potential biases in the case study. My position, however, enabled me to get closer to my research subjects than perhaps an outsider could. Through negotiating my positionality within the research project, however, I felt that there were more advantages than disadvantages in conducting research in ‘my community’.

In Chapter IV the first case study, Mondragon, is explored. The system of worker cooperatives in Mondragon was established in 1954 and has grown since that time into a network of manufacturing, education, finance, social security and research cooperatives. Mondragon became known to the English speaking world after weathering out the economic recession in the late 1970s and early 1980s. In fact, while other companies were shrinking and failing during that period, Mondragon continued to expand and grow. Mondragon attracted a lot of attention and was held as an ideal example of socially responsive development. As Mondragon continued to grow throughout the

1990s and began to restructure due to its size, however, it began to receive criticism from the left. Its critics argued that it was failing its cooperative principles and was no longer any different than any other multi-national corporation. In this chapter I explore how Mondragon can be understood as a community business rather than as a cooperative. This perspective on Mondragon is used to re-examine its success and its current changes. Such an analysis arrives at different conclusions regarding the basis for Mondragon's success, the value of its current changes and for understanding its relationship with the depleted community.

Chapter V examines the primary case study of the thesis: New Dawn Enterprises in Cape Breton. This chapter documents the early history of New Dawn's formation. Particular attention is paid the motivations and values behind New Dawn and how those ideas were institutionalized into an organizational structure. The force behind New Dawn's founding was Father Greg MacLeod, a local priest, professor of philosophy and community activist. The chapter thus, explores MacLeod's past and current influence on New Dawn with respect to its purpose, its vision and its values. The chapter also explores how the vision and values of MacLeod were institutionalized into a formal organizational structure. Thus New Dawn's legal structure and regulatory documents are analyzed for the ways in which they codified the vision of the organization and enforced the principles of community business: local rootedness, wealth creation and social vision. The chapter also explores how the vision and values of the organization are upheld and reproduced through the organizational culture. The organizational culture is examined for how it supports the non-codifiable aspects of the organization's values.

Chapter V also explores New Dawn's changing relationship with the community of Cape Breton. There are two aspects of this changing relationship to be explored: external changes and internal changes. The final closure of the mines and steel plant has thrust Cape Breton over the brink of crisis which it has been teetering on for over 40 years. Thus the community as a whole is changing. On the other hand, after 25 years of operation, New Dawn has grown its asset base and its capacity to act within the community. Within this context, New Dawn is adopting an expanded role in the community. These contemporary changes in New Dawn are examined in contrast to New Dawn's traditional role and to the changing needs of the community.

In Chapter VI, the two cases are used to develop a theory of community businesses and their emergence within depleted communities. The chapter explores the emergence of community business as the result of a unique process of entrepreneurship called community business entrepreneurship. Community business entrepreneurship is explored as a combination of traditional entrepreneurship and social vision that is appropriate to depleted communities. Community business entrepreneurs are examined for their ability to gather and use the resources available within depleted communities and to lever them into economic resources for business development.

Chapter VI also looks at the output of the community business entrepreneur: a community business. Community businesses are examined from two perspectives. First, the formal organizational structure is analyzed to demonstrate how the legal structure of the business can protect the principles of community business. Here the existence of a community business 'model' is questioned. Community businesses, rather, described as institutional formations around the set of community business principles described above: local rootedness, wealth creation and social vision. From the second perspective, the organizational structure of community business is analyzed in terms of its ability to reproduce the vision of the organization. The organizational culture of community business, and in particular, the role of the top management, in reproducing the vision of the organization is examined as the key underlying aspect for supporting the organizational structure and ensuring longevity within the organization.

Chapter VI also explores how community businesses can be measured in terms of success. A number of different perspectives on success are discussed here including: the micro-economic success of the organization as a business, the transformative impact of the organization on the community and finally, as a demonstrative example of alternate economic forms that are possible in depleted communities. Finally, the chapter examines the potential transferability of such success stories to other depleted communities.

In the final chapter, a number of conclusions, implications and recommendations are drawn from the thesis. The general conclusion of the thesis with respect to depleted communities is that alternative forms of development are possible in such hostile economic geographies. In this case, development based upon the assets of community seems to have a purchase where traditional forms of economic development do not. This offers hope to depleted communities that there is a way out of the problems they face.

Community businesses are an example of a business approach to such developmental problems. Community business, however, rely on an appropriate organizational structure as well as a continuing expression of appropriate leadership in order to function. Thus, in terms of public policy, enabling legislation for appropriate forms of business organization and support for community leaders are both suggested as ways to support community business development. As this thesis offers only an initial exploration into these issues, there is a need for more research to be conducted on this topic. Therefore there are several recommendations for further research.

Chapter VII also projects beyond the limits of the thesis to initiate a discussion on the 'politics of place'. That is, in order for appropriate policy actions to be taken and for residents of meaningful communities to understand their plight in the face of a placeless global capitalist system, there needs to be a widespread understanding of the importance of place to people's lives. This is a project that, it seems, is particularly suited to geographers.

Finally, in an epilogue, I return to my personal experience in Cape Breton to examine my impressions of Cape Breton, its future and my role in that future. The epilogue was written after the completion of the thesis and offers my perspective on Cape Breton after the process of writing this thesis.

CHAPTER I: UNEVEN DEVELOPMENT
AND THE DEPLETED COMMUNITY

Bye, Bye, My Island (Good-Bye)

Allister MacGillivray

The mines are a-closin', the fish are all gone.

Bye, bye, my Island, good-bye.

The future's not rosy for daughters and sons.

Bye, bye, my Island, good-bye.

The story was diff'rent in Grandfather's time.

Bye, bye, my Island, good-bye.

Coal seams were thick, and the cod stocks were high.

Bye, bye, my Island, good-bye.

Leaving with hearts that can scarce stand the pain,

Fighting the tears that our eyes can't contain,

We're some of the many to look back and sigh:

Bye, bye, my Island, good-bye.

Bye, bye, my Island, good-bye.

Land where my forefathers made a new life,

Home to my children and wife.

Bye, bye, my Island, good-bye.

Now sad is the fiddle that sounds in the glen.

Bye, bye, my Island, good-bye.

And God only knows when I'll hear it again.

Bye, bye, my Island, good-bye.

Leaving with fear and a longing within

For times that are gone and will not come again.

We're some of the many to look back and sigh:

Bye, bye, my Island, good-bye.

Introduction

The song above and the last chapter described the plight of Cape Breton and its people. I have recounted the economic problems faced by Cape Breton and the social and cultural character of the residents. It is a place where, as the song above describes, there is a contrast between the poor state of the economy and the strong feelings of attachment people feel. In the song above, MacGillivray understands the forces that have forced him to face leaving his island, they are economic. But he also must come to terms with the forces that make him reluctant to leave, where his “heart can scarce stand the pain.” The purpose of this chapter is theoretically to attempt to make the same reconciliation of the social and the economic as MacGillivray attempts, to understand both the forces that deplete a region economically and the social forces that maintain such strong attachments to place despite economic hardship.

This is first taken up through an examination of the economic forces that led to the economic decline of Cape Breton. To understand economic decline in Cape Breton, I review the literature within economic geography on the processes of uneven development that create regional growth and decline.

The second part of the chapter will examine the outcome of uneven development on losing regions. In particular I attempt to understand uneven development based on the example of Cape Breton. Thus, I attempt to understand the problem of uneven development from the point of view of a community with a strong attachment to place. I attempt to reconcile the processes of uneven development and the destruction of economic space with the strong localized cultures and the creation and recreation of meaningful place. To achieve this, I use the term ‘depleted community’ to capture the processes of, and contrast between, economic decline and meaningful reproduction of place. It is only through such an understanding of place that we can understand what is happening in places such as Cape Breton. In a mainstream view of place, people would not sing a song to a piece of land; MacGillivray would not feel such sorrow in saying goodbye to his island.

Uneven Development: Conceptualizing the Problem

Introduction

Economic systems are territorially embedded. Production, distribution and consumption occur in particular places and are stretched out over space. This uneven distribution over space is the core element of economic geography. Typically, the economy in question is the capitalist system which produces a geography different from that of other (previous) economic systems. Furthermore, the spatiality of capitalism is actively produced and used; spatial differences are used by capital for its benefit. Uneven development is a key feature of capitalism or as Smith (1990) puts it, “uneven development is the hallmark of the geography of capitalism.”

Uneven development has been recorded throughout the history of capitalistic development. From traditional conceptions of differentiation of town and country, core and periphery, etc., uneven development has been a key part of capitalistic development. Marx criticized capitalism for its inherent production of underdevelopment through the centralization of capital, “capital grows in one place to a huge mass in a single hand because it has in another place been lost by many” (Marx, 1987). Uneven development produces winners and losers. Within the criteria of its own logic, capitalism has been very kind to the winners. The winning regions of capitalism have and continue to enjoy high levels of material wealth accompanied by all forms of modern amenities such as medical services, cultural activities, good quality built environments, etc.⁵ For the losing regions, the negative side of uneven development entails dealing with a multitude of social and economic problems. While the rhetoric of capitalistic development puts the blame on the region for having failed, as this section will show, uneven development is an integral part of the capitalistic system and these losing regions are actively produced by that system of development.

The purpose here is to explore the structural nature of uneven development in the capitalist system and some of the processes in which it is created, particularly with respect to modern forms of production (the knowledge economy). I will explore these issues by tracing development and thought in economic geography from Marxist critiques of capitalism through to the cultural turn and the new economic geographies.

⁵ Though it must be noted that these services are not often provided by capitalists per se.

From this discussion I will draw some conclusions regarding the prospects for development in the losing regions of capitalistic development.

Economic Geography: Uneven Development and Capitalism

For the first half of the 20th century, economic geography was focused on regional description. While contributing to conceptualizations of regions as unique identities, descriptive techniques added little to theories and explanations of regional differences. In the 50s, economic geography refocused on theory and explanation through location theories, which sought to explain the spatial structure of the economy. This shifted attention away from the uniqueness of regions to common structures of equilibrium. Hudson (2001), however, identifies two problems arising from location theory. First, it conflates explanation with prediction. That is, the predictive power of the theory was used to substantiate its explanatory power. Second, location theory was based upon limited assumptions concerning the environment, knowledge and human interaction in explaining equilibric spatial structures. As such, location theory failed to recognize the economy as being a dynamic, socially embedded, socially constructed process.

Behavioural geographers critiqued this approach based upon its unrealistic behavioural assumptions. Behaviourists argued that the perfect knowledge of actors assumed by the spatial location approach was unrealistic, and thus developed an approach based on the behaviour of actors with limited knowledge, but with the same logical framework. This 'bounded rationality' (Simon, 1959) approach, however, largely fell into the descriptive trap by focusing on the decision making of particular firms. Again the behaviourist approach lacked theoretical and explanatory rigor.

In the search for more rigorous frames of analysis, geography found purchase in emerging theories from the social sciences. Marxian political economy, in particular, moved to the forefront, providing an analytic framework with powerful conceptualizations of structure and social relationships within the capitalist economy. The Marxist approach, through examining the consequences of the law of value and the accumulation imperative of capital, identified the structural limits of capitalistic development, and thus the necessity of uneven development in the capitalist mode.

The Marxist view of the geography of capitalist development has two parts. First, it looks at uneven development as the outcome of the countering forces of differentiation

and equalization. Differentiation is based on differences in the natural environment and, primarily, on the division of labour. Furthermore, the accumulation imperative has a centralizing tendency by concentrating capital socially into individual capitals and physically in localities. The centralizing tendency of capitalism, however, is counter-balanced by an equilibrating force. Centralization of capital drives down profit rates and leads to crisis. Capital finds a 'spatial fix' to declining profit rates by decentralizing production (Harvey, 1982). According to this theory, the rhythm of accumulation and the periodic centralization, decentralization and re-centralization of production over differentiated space is the cause of uneven development.

The second part of the Marxist critique of the geography of capitalism involves a question of scale. Scale specifies how the process operates in space. Specifically, Smith identifies three scales of capitalism: the urban, the global and the nation state. These scales both describe the levels where the forces of differentiation and equalization are exhibited and are formed by these forces themselves. That is, these scales provide an analytic framework but are not simply academic constructs but outcomes of capital accumulation itself.

Differentiation and Equalization

Nature

Without falling into a position of environmental determinism, the role of nature must be acknowledged in determining the spatial outcome of capitalism. Economic development takes place over space, so the irregular nature of that space can be expected to be exploited by capitalism. Indeed this is seen in practice as natural resource extraction must occur where the resources are located. Cape Breton was industrialized because of its abundance of coal, good harbour and proximity to iron ore deposits. Capitalism develops on an uneven physical environment endowed with varied and diverse natural assets and productive labour. The irregularity of the land and the heterogeneity of natural resource, labour and transport availability necessitate that capitalism develops in an uneven manner.

Division of Labour

Capitalism, however, has forces of uneven development inherent within its structure. That is, even if a homogeneous (in terms of raw material, labour and transport) plain of

development is assumed, capitalism will still create new forms of geographic differentiation. The inconsistent geographic mobility of capital creates different geographies of production and thus also different territories of social relations and institutions. Thus, uneven development is not only a matter of historical contingency but is actively produced and reproduced by capitalist development. The basic underlying factor that creates the internal forces of uneven development in capitalism is the division of labour that is particular to capitalist production.

Smith (1990) explores the spatial consequences of the division of labour that characterizes the capitalist system. While the division of labour, on its own has a spatial outcome, Smith contends that it is better understood by combining notions of the division of labour with the division of capital. Marx distinguishes three scales of the division of labour in capitalist production: the general (such as the distinction between agriculture and industry); the particular (distinctions between the sectors of the general); and the detail (distinctions between labour roles in the workplace). Smith compares this division with a similar division of capital into three scales: departments, sectors, and individual capitals.

When folded together, the division of labour and capital form four scales of social differentiation:

- General division of labour and capital into departments.
- Particular division of labour and capital into sectors, or the social division of labour.
- Division of social capital into individual capitals
- Detailed division of labour into roles in the workplace or the technical division of labour.

Smith argues that it is the particular division of labour and capital and the division of social capital into individual capitals (levels 2 and 3) that are responsible for geographic differentiation in capitalism. Individual capital, by accumulating in limited hands becomes concentrated in space. The particular division of labour and capital creates geographical differentiation through cyclical devaluations and reinvestment of capital into new sectors, which takes on a spatial pattern as the reinvestments coincide with

geographic expansion. These two factors of geographic differentiation are looked at in more detail below.

Individual Capital and the Accumulation Imperative

Marx demonstrates in *Capital* that centralization of capital can have accumulating effects, attracting greater concentrations of capital as well as labour and transportation investment. The search for surplus value leads to greater accumulation of capital, this is the accumulation imperative of capital. Accumulated capital concentrates as surplus value (profit) is reinvested in larger individual sums and transferred from financial capital to productive capital. In turn the concentration of capital leads to centralization.

Centralization occurs for several reasons. First, the social concentration of capital into fewer hands has its own spatial implications. To continue to exist, Lapple and van Hoogstraten (1980) argue, capitalism must produce its own conditions for continuity and expansion. The only means of ensuring this in the long run is constantly increasing the productivity of social labour. Increasing the productivity of social labour is based on capital's ability to increase the scale of production, which depends upon the expansion of individual capital. Expanding individual capital is a centralizing process where surplus value is appropriated and transferred into capital and independent capital is absorbed by dominant capital.

Second, when capital is concentrated into productive capital it takes a spatial form. Capital tends to centralize in places where it can share support services (infrastructure, business services, etc.) with established production. Thus, spatial concentrations often occur along sectorial lines as similar support services are needed. Finally, one of the prime motives to centralize is to increase labour concentration which allows greater exploitation of labour by capital, increasing labour productivity (Harvey, 1982; Lipietz, 1980). Increased productivity and continued accumulation both require the concentration and centralisation of productive capital and social labour.

Particular Sectors and the Rhythm of Accumulation

What Smith (1990) calls the 'rhythm of accumulation' is the cyclical period of capital accumulation. Capital invested in the built environment creates temporal restrictions in the flow of capital as it becomes 'fixed' for varying periods of time. The temporal aspect is associated with the Kondratieff cycle (Mandel, 1995). The

Kondratieff cycle describes periodic long waves of development characterized by groupings of particular technological revolutions.⁶

Harvey (1982) uses a cyclical model of investment to demonstrate this process. Harvey identifies three circuits of the economy. The primary circuit of the economy is the domain of production and consumption and the reproduction of labour. The secondary circuit comprises the investment of capital into fixed capital and the built environment. The tertiary circuit comprises investment in science, education and other social expenditures.

The general movement towards crisis in capitalism as identified by Marx is manifested by a crisis of over-accumulation. Moving investments into the second or tertiary circuits can temporarily avert a crisis of over-accumulation in the primary circuit. Over-accumulation in the primary circuit reduces the profit rate. In such a case the search for greater profit (relative surplus value) can be based on locational or technological advantage. Due to limits on re-location (production mobility, rent appropriation and the geographic inertia of production), capital seeks first to acquire technological advantage. Technological advantage, however, itself produces the possibility of new locational advantages. Technological advantage is gained through processes of innovation which alters the structure of capitalistic production through a process of 'creative destruction' (Schumpeter, 1959). New production technologies alter the labour process (Aglietta, 1979), which, as Perrons (2001) points out, imposes new locational logic. Thus, technological advantage reactivates and strengthens the potential for spatial advantage.

When the crisis of over-accumulation continues, investment is directed into the secondary circuit, building up new spatial patterns of production, often in new sectors that have benefited from new technologies developed during the crisis. While new patterns of investment are laid down, however, the crisis of over-accumulation in the built environment from previous cycles of investment results in massive devaluations of capital. Places that were built up from previous rounds can undergo rapid devaluations as investment shifts from old sectors to new sectors, or to new spatial patterns for old sectors. Thus the result of the rhythm of accumulation is the introduction of new

⁶ Whether or not long waves are cyclical is disputed – see Maddison, 1991

technologies and modes of production into new spatial patterns of production while simultaneously devaluing older technologies and forms of production.

Equalization

The countering tendency to centralization, equalization, rises as a response to over-centralization. Agglomeration has both physical (limited space and congestion) and social (class awareness rising out of misery) limits. In the face of these factors, decentralization will become more appealing to capital. As mentioned above, new rounds of investment in the rhythm of capital accumulation create new spaces of development (often along sectorial lines) in order to make room for new production facilities.

Dispersal also occurs to take advantage of new geographies of capitalism, to exploit undeveloped or underdeveloped regions. Capitalist expansion strives to produce a widening sphere of capital circulation, with the end result of a global circulation of capital “characterized by an international territorial division of labour” (Harvey, 1982). That is, capital seeks to transform previous modes of production by bringing them into the realm of capital.

Both differentiation and equalization are integral parts of the capitalist system. The interplay of these forces over space and time produce the form of uneven development characteristic of capitalism.

Scale

Society produces many spatial scales with which to understand social processes (household, community, nation, etc). The landscape of capital is also grouped into spatial scales. According to Smith (1990), there are three primary scales of capitalism, grouped into a systematic hierarchy: urban space, nation states, and global space.

The urban scale is the outcome of the centralization of capital, and of productive capital in particular. The urban is the most obvious scale of the processes of differentiation, of capital concentrated and centralized through investments in the built environment. The global scale, on the other hand, is a result of the equalizing force on capitalism. The global scale creates a world economy based on production and the universality of wage labour. Geographic expansion in search of surplus value internalizes space into the global geography of capitalism. New spaces are developed as

a source of production and accumulation. However, new spaces are also converted into places of consumption. The result of the latter, however, drives out the advantage of the former. Thus there is a tension in geographic expansion between the need for new spaces of production and new consumers to consume the excess and growing capacity of production.

The nation state, argues Smith, is an outcome of the tension between differentiation and equalization⁷, although at a more distant relationship than the urban and the global. Nation states, according to Smith, grow out of the competition of individual capitals on the world market. Nation states act as protectors of individual capital, particularly immobile capital invested in the land, through infrastructure, trade laws, money supply, and ultimately protection through military action. The nation state also regulates the working class and protects capital from a revolt of the working class. Spatial scales are integral to capitalist development. Smith summarizes:

Capital produces distinct spatial scales – absolute spaces – within which the drive toward equalization is concentrated. But it can do this only by an acute differentiation and continued redifferentiation of relative space, both between and within scales.

Smith, 1990

Conclusion

Putting together the above arguments, Smith arrives at a 'see-saw' theory of uneven development. Capital develops particular places according to the rate of profit attainable. Capital moves to where the profit rate is high and abandons places where it is low. Thus capital mobility concurrently creates development and underdevelopment. However, development itself reduces the rate of profit in an area and underdevelopment raises the potential profit rate. Thus capital jumps back and forth between areas in a constant search for greater profit. In this manner capital is always creating uneven development and indeed requires uneven development to realize profits. The see-saw of

⁷ The idea that the nation state is an outcome of purely economic factors presents a limited picture of the nation state that does not account for the political and social underpinnings of the state. The same criticism could be made of the urban as well.

capital is the outcome of the conversion of capital from fixed to circulating and back to fixed (in a more profitable form).

This approach to understanding uneven development is useful in outlining the necessity of uneven development and its general process within the capitalist system. Uneven development, it should now be clear, is an integral part of capitalist development. However, this approach does not allow one to explain how particular spatial patterns emerge, why particular places win and lose, and are reproduced (Hudson, 2001).

Massey (1988, 1995) refines these concepts of uneven development in a way that begins to get at some of these questions. Massey (1988) argues that “uneven development does not vary only in degree; it varies also in its nature”. That is, there can be different kinds of uneven development. These differences are based upon a region’s role in the spatial division of labour. Different spatial structures of production and the different roles a region plays in relation to others will create different forms of uneven development. Massey argues that a region’s role in one mode of production will affect its possible role in a new spatial organization of production. Thus, a region may not only suffer from a declining role in an old structure, but the history of that role may not allow it to participate in a new structure.

Massey’s approach provides a much more satisfactory understanding of uneven development. However, it still leaves a number of questions as to how and why particular places succeed or fail. To answer these questions, geography turned to other social theories to explain the social embeddedness and construction of late capitalism. Thus, much of the new economic geography, after this ‘cultural turn’, focuses its attention on how social relations underpin the economy. The new economic geography will be explored in the section below.

New Economic Geography

The major focus in economic geography, following the cultural turn deals with the social aspects that underpin economic behaviour. The cultural turn shifts explanations of the economy from political economy to an account of the economy that emphasizes its cultural underpinnings. This has been characterized by a shift of focus away from the firm towards the region as the basis for competitiveness and has thus lead to an

investigation into the characteristics of winning regions. Thus, the new economic geography deals primarily with the social basis of capitalism such as social relations, knowledge and learning, governance and institutions. This approach is concerned with internal growth capabilities of a region. The following sections will briefly touch on some of the main theories that now influence economic geography.

Institutions

Conceptualizing the economy as socially embedded leads one to an examination of the institutions that society consists of (Hudson, 2001). Focusing on institutions (the values, norms, rules and conventions which form the basic societal building blocks) provides a framework for examining stability and growth, as well as the regional variations of capitalistic society. Institutionalism relates regional differences in economic structure to regional variations in the formal and informal social structures.

The focus on the region, rather than the firm, as the basis of competitiveness raises concerns about the institutions that characterize a region both in quantity and quality (Storper, 1997; Amin and Thrift, 2000). 'Institutional thickness', thus, is seen as a factor of a region's competitiveness. Local institutional thickness is defined as 'the combination of factors including inter-institutional interaction and synergy, collective representation of many bodies, a common industrial purpose, and shared cultural norms and values' (Amin and Thrift 1994). Institutional thickness, however, is not sufficient for economic development, and in some cases can restrain development through lock-in effects (Hudson, 2000). Thus the quality of local institutions also plays an important role. Institutions can be informal, based on values, norms and conventions, or formal, based on rules and regulations. Together, the formal and informal institutions form the institutional arrangement of the region. The institutional arrangement of a region can benefit or inhibit a region through institutional lock-in. If the quality of local institutions does not match with the broader economic environment, the region suffers.

There is, however, considerable disagreement within institutional thought. Hodgson (1994) compares old and new institutionalist thought in economics. New institutionalism is based on classic liberal assumptions regarding the human agent, which holds to a rational utility-maximizing model. New institutional economics takes the transaction as the prime unit of analysis and claims that institutions are created and

persist when the benefits – in terms of easing transactions- are less than the transaction cost of creating them (DiMaggio and Powell, 1991).

Old institutionalism, in contrast, developed from a critique of orthodox economic theory. Old institutionalism, in the Veblen (1994) tradition, holds to a more organicist view of human agency, viewing human behaviour as normally habitual and routine but occasionally punctuated by creativity (Hodgson, 1994). The prime unit of analysis is institutions rather than atomistic individuals. Old institutionalism, in terms of the cultural turn, has more power in describing the social underpinnings of the economy, and thus has more purchase in new economic geographies.

Governance and Regulation

The role of regulation also influences territorial economies. State regulatory processes are geographically constituted and are unevenly developed (Painter and Goodwin, 1995). Thus, there are regional variations in state activities such as uneven administrative coverage and service provision. Furthermore the decentralization of administration through lower-tier government creates regional regulation pockets, which create their own development trajectories.

In contrast to the re-theorizing in economic geography through critiques of orthodox theory, governance theory, as an influence on economic geography, has been brought about through observed changes in the regulation of the economy. Jessop (1997) identifies three changes in the state and the articulation of the economic and political that have occurred in recent times:

1. Denationalization of the state – the ‘hollowing out’ of the nation state where state capacities are reorganized and transferred to sub-national, supranational and trans-local levels.
2. Destatization of the political system – shifting focus from government (directly elected government) to governance (authority exercised by non-governmental institutions).
3. Internationalization of policy regimes – international contexts and concerns become increasingly important in policy making.

These changes create a changing environment of state and regulatory action. Of particular interest here is the shift from government to governance. Governance implies an increasingly complex regulation structure with a multitude of institutions of different territorial scale, origins and histories which have taken over and shared some of the roles of the state. Painter and Goodwin (1995) advocate regulation theory in investigating these changes as it emphasizes regulation effects from a variety of sources, not solely the regulations of the state.

The political institutions that define a period, combined with cultural institutions and practices, operating together in mutually reinforcing ways refer to a 'mode of regulation' (Painter and Goodwin, 1995). The mode of regulation includes interrelated forms of technical production practices, capital-labour relations, political policies and cultural practice. Governing practices and policies from national, sub-national and supra-national levels become part of the capitalist mode. As such, 'mode of regulation' brings political action and multi-level governance into the uneven development question.

Knowledge and Learning

The modern economy is commonly heralded as a 'knowledge economy' or a 'learning economy'. Lundvall and Johnson (1994) describe the learning economy as one in which the capability to learn is key to economic success. Knowledge is the critical resource. Knowledge comes in two forms: codifiable knowledge and tacit knowledge. Codifiable knowledge can be traded like any other commodity.⁸ Tacit knowledge, on the other hand, is "inseparable from the collective work practices from which it comes" (Foray, 1993). Tacit knowledge is often regionally embedded and non-tradable because of its base within a particular social-cultural milieu.⁹ Knowledge is regionally distributed and forms part of the uneven development question.

At the firm level, learning has become an important component of competitiveness. 'Learning firms' are firms in which knowledge and information concerning products and production comes from all levels, not solely from R&D departments. Learning

⁸ Indeed codifiable knowledge in digital form is a much easier commodity to trade than material goods. Knowledge in digital form can be available nearly instantaneously to almost any part of the globe.

⁹ Tacit knowledge, however, may also be embedded in firms which maintain high degree of interaction between displaced branches but low levels of interaction with the localities in which they are situated.

firms, thus, value knowledge from other-than-scientific sources with information coming from all levels and departments, including customers. The learning region is an extension of the learning firm, where knowledge is traded through networks. The region becomes a “nexus of untraded interdependencies” (Storper, 1995). The networks of interpersonal and inter-organizational contacts both produce and distribute knowledge. In a globalized world of knowledge-based economies, the region, as a nexus of knowledge production, becomes a key competitive factor in production.

Social Relations and Social Capital

The social embeddedness of the economy brings the relations of social reproduction into the debate concerning economic development. Capitalist interactions are based not on individualistic competition, argue some critics, but are fundamentally social and are based on ideas such as cooperation and trust (Granovetter, 1985, Fukuyama, 1995). Putnam (1993) argues that the efficiency of society is facilitated through social capital, the trust, norms and networks that facilitate coordinated actions in society. The linkage between social capital and social interactions connects this concept to that of the learning economy and to economic development as a whole.

Social capital, however, comes in different forms (Gittel and Vidal, 1998): 1) bonding capital, horizontal links which contribute to the socio-cultural milieu; and 2) bridging capital, vertical links which contribute to the institutional infrastructure. The quantity and quality of social capital will differ geographically in both categories. Rural areas, for instance, may have higher bonding capital and lower bridging capital as compared to urban settings (Gitell and Vidal, 1998). Peripheral areas, therefore, may be isolated because of a lack of bridging to other systems.

Relational Views of Space and Place

Space and place are central concepts in geography. Yet, these concepts are problematized and have experienced a dramatic re-conceptualization in recent times. Space and place are complex ideas that include material objects, firms, and workers as well as social relationships that embody cultures and identities. Places are traditionally thought of as closed, bounded areas. Recent conceptualizations have opened and unbound spaces and places. Hudson (2001) identifies two principles that have contributed to this re-conceptualization. First, the idea that space is constituted from

spatialized social relations. Social relations define a material space as they are 'stretched out' over space. Second, space is socially constructed. That is, spaces are 'invented' according to socially-conceived criteria. The outcome of these principles is a view of space as unbounded and discontinuous.

While this conception of space is useful, it is not the only way to conceptualize space. Space must also be placed in time (Hudson, 1990), as space changes with the dynamics of social relations through time. Places, thus, are a meeting of social relationships at particular times. The type of place (town, city, village, etc.) is determined by the complexity, density, variety and co-presence of different types of social relations. Furthermore, space is produced and reproduced through a reciprocal process. While space is socially constructed and constituted, spatial distributions in turn produce uneven social geographies, shaping the way in which social relations evolve.

Hudson (2001) argues that, in the context of capitalist production, "capitalist social relationships routinely have a decisive, although not inevitable, shaping influence." Massey's (1995) approach identifies the role particular places play in the national and international relationships of the economy. Massey (1995) for instance sees the spatial distributions of class relations and social groups as a product of the spatial division of labour. The type of place-specific social relations, the character of social labour created by the spatial division of labour, has an effect on the character of subsequent investments into a particular place. The type of social labour acts as a potential 'growth mechanism.' According to Hudson (2001), economic growth occurs when the economic relations of a place relate to 'growth mechanisms' in the wider economy. Uneven development occurs as a result of different growth and decline mechanisms, which intersect in different numbers, with different intensities and effects in different places.

These social theories give insight into the process of uneven development. Institutionalism explores how the institutional arrangement of a region can contribute to or impede development through institutional lock-in. Governance issues demonstrate the importance of multi-level governance on the regional expression of the mode of regulation and thus the influence of government policies on regional development. Knowledge and learning demonstrate the importance of tacit knowledge or 'untraded interdependencies' on regional development. These 'untraded interdependencies' are

produced and transmitted through the network of social relations (the social capital) within a community.

These strings of thought, each providing a glimpse on the uneven development process, together demonstrate how a particular region can develop or fail within the capitalist system. The threads of economic development brought out by the cultural turn highlight the non-economic factors regarding development. It recognizes the social embeddedness of the economy, that the economy is critically influenced by what are traditionally considered non-economic factors. The new economic geographies, in concerning themselves with social theories, are useful for theorizing about uneven development in that they more fully explain the processes upon which it is based.

In terms of regional development, endogenous approaches offer conceptualizations of the economy which give purchase to local action. As Amin (1999) points out, the success of policies based upon Keynesian and neo-liberal approaches in improving the economic viability of Less Favoured Regions (LFRs) have been modest at best. These policies have been “*firm-centred, incentive-based, state-driven, and standardised*” (Amin, 1999). The endogenous approach, in contrast, tends to be “*bottom-up, region-specific, longer-term, and plural-actor*” (Amin, 1999). The endogenous approach, which underpins much of the new economic geography related above, gives agency to the region in terms of its own development.

However, we must recognize the pre-eminence of the capitalist social relation in constructing place and shaping development. As the old economic geography demonstrated the capitalist system inherently produces uneven development. That is, there will always be areas of growth and decline in the capitalist system. The new economic geography suggests that within the framework and bounded by the limits of uneven capitalist development, places may have some degree of agency in determining their economic trajectories.

The New Economy and the Pattern of Uneven Development

Up to this point we have reviewed a general theory of uneven development and have explored particular issues in the new economic geography which underpin economic development. Thus we now have the analytic tools to examine the outcome of uneven development in particular places. What is required to complete the picture is an

examination of the context of development in the modern economy which will allow us to see the particular patterns of uneven development in contemporary capitalistic development. In this section I will review the fundamental changes in the economy which started from a period beginning around the mid 1970s. I will then explore the particular growth mechanisms of this 'new' economy and the spatial outcome of this mode of development.

The 'new' economy is characterized by a number of changes to the economy which appeared around the mid 1970s. The changes, set in terms the rhythm of accumulation, were the result of a general crisis in capitalism marked by the decline of the post war boom and the Fordist mode of production. The resulting decline in profit rates were halted, although temporarily, through a number of intra- and international spatial fixes (Hudson, 2000). The specific changes that started in the 1970s were the result of investments in new technologies. These technologies, in information, communication and materials technologies, altered the dominant modes of production and created new types of work and capital-labour relations. Production organization shifted to post-fordist forms such as lean production and flexible specialization. New forms of work, such as Drucker's (1993) *knowledge worker* or Reich's (1992) *symbolic analysts*, became central. These roles highlighted the critical role of information in the economy. Furthermore, labour-capital relations were being reformed on a number of fronts such as in the way workers are selected, labour organization, forms of industrial labour relations, and the geography of employment and production (Hudson, 2000).

This new economic context had geographical implications. Harvey (1996) outlines some of the implications for the geography of capitalism of the new economy:

1. Space-time relations have been radically restructured, altering the roles of places within the global pattern of capital accumulation.
2. Transport costs have reduced to the point where place no longer holds a monopoly power over capital through the frictions of distribution. Production, merchanting, marketing and finance are more mobile. Thus, small differences in place are crucial for capitalistic advantage. Place has become more important.

3. People who are attached to places are aware of the competition between their place and other places for mobile capital. Place competition is based on image.
4. Profitable projects to absorb excess capital are rare. Much of the excess goes into speculative real estate construction.

Dunford and Perrons' (1994) examination of Europe during this period of change demonstrates and elaborates on some of these points. Dunford and Perrons examine the changing nature of uneven development in Europe in the mid-to-late 70s, coinciding with the emergence of the new economy. Up to 1976, the golden age of Fordist development was producing rapid growth and regional convergence – the gap between highly developed and less-developed regions was diminishing. The new phase of development was brought on by a crisis in the Fordist model of development. In the late 60s and early 70s, the Fordist system broke down. Productivity growth slowed down causing profit rates to fall. Furthermore, the convergence trend reversed and regional inequality was again increasing.

In this environment of global capital and markets, Keynesian policies to reduce inequality became less effective. Increasing domestic demand without corresponding increases in other countries would result in larger imports and a deficit on the balance of trade. Thus, government lost control of its ability to control its own economy and balance the uneven nature of development. This is a direct example of the international context affecting the ability of national governments to enact policy (Goodwin and Painter, 1996). The crisis of Fordism, thus had a direct impact on less favoured regions and upon the Keynesian policies upon which they depended.

The new phase of development had new regional implications and created a new map of uneven development. The pattern of development within the new economy is a product of the specific spatial logic of the new layer of investment in relation to previous layers (Massey, 1995). The local is connected with the global through the role it plays in the new pattern of capital accumulation. The new layer of investment is based on information flows. Investment is focused on areas that can provide a good supply of knowledge and that are connected with other areas of knowledge production.

Thus, the new phase of development proved unfavourable for peripheral regions, adding to problems associated with the fall of Fordism. This new mode of production

has different geographical implications than the previous mode. Overwhelmingly it favours metropolitan centers. It does so for two reasons. First, it is in cities where firms could find large concentrations of qualified people with technical and managerial skills as well as concentrations of education institutions to fuel more 'knowledge workers' (Drucker, 1993). Secondly, the international and integrated economy favoured locations on major nodes of the transportation and communication networks (rail, air, internet, etc.). Scott outlines this new economic order as a network of Global city-regions (Scott, 2000).

The new economic geographies demonstrate how these global city regions have become the major nodes in the network of the global economy. These areas have the densest overlap of growth mechanisms, the most important of which is lying on the major routes of information and transportation networks. The new economic geographies though, with their focus on the firm and regional clusters, are over-focused on these winning regions (Perrons, 2001). The role and fate of losing regions in the new economy is under-studied.

Again scale becomes integral to the new pattern of development. As Scott indicated, investment is concentrated in urban centers. This is the most clear scalar outcome of the new economy. However, the see-saw of uneven development identified by Smith (1990) doesn't appear to operate at all scales, particularly in the context of the new economy. While the movement of capital from developed areas to areas of underdevelopment is evident within the urban scale, it is less evident at the national or international scale. That is, underdeveloped regions in advanced economies and underdeveloped parts of the world, with the exception of growing urban centers, tend to be relatively permanent in their underdevelopment. In the knowledge economy undeveloped regions hold very few advantages for capital since competition is based on information and not resource, labour or rent costs.

Implications for Under-developed Regions

Less-favoured regions in the global pattern of capital accumulation face a number of barriers to development. The endogenous school of development, which the new economic geography would be a part of, gives regions agency in development. This argument suggests that if regions can build up enough institutions, social capital and networks of knowledge through strong local governance, they will develop into

advanced regions of capital accumulation. Note that the endogenous approach in this sense is not completely bottom-up, but acts to develop the region internally to the point that the interest of global capital in the region is reinvigorated.

However, building up these 'soft assets' requires injections of capital, usually supplied by the state. As noted before, nation states are experiencing increasing difficulty in exercising redistributionist policies within the context of global markets. Thus, the endogenous approach must rely on local capital. However, it is unlikely that large individual capitals will be found in great number in underdeveloped regions. Further, the smaller capitals of personal savings, pensions, etc. are usually invested outside of the region (into more successful regions) through the banking and finance systems. Therefore, the endogenous approach and the new economic geographies, while clearly expressing the processes and reasons behind development in winning regions, have less to offer less favoured regions in terms of programs of redevelopment.

Another approach focuses on infrastructure development or 'hard' assets. As Dunford and Perrons and Scott pointed out above, development within the new economy is based around communication and transport networks. Development occurs around important nodes in this network. Thus, less-favoured regions may try to develop their links into this network. Again, however, the capital requirement of development is prohibitive for less favoured regions both in terms of available local capital and the political will and power.

Thus we see the limitations of regional agency in endogenous development. The potential for regions to develop in the new economy is dependent upon their possible roles within it. Regions are embedded in a global system of capital production. Although regions have a degree of agency in their economic development, the ability of regions to grasp the opportunities of the broader system depends on how the local socio-economic system fits with the broader system, or more specifically, with the organization of specific production processes (Lagendijk et al., 2000).¹⁰ Peripheral regions hold a tenuous position within the production system and "may be endangered if they are unable to secure and hold down a place in circuits of value creation, circulation and appropriation" (Hudson, 2002). As they usually play a role of routine production

¹⁰ Lagendijk et al. use the concept of the *filiere* to discuss the systems which the local must 'chime' with to succeed in realizing growth in the new economy. A *filiere* is the form in which production is organized technically and its corresponding division of labour throughout the production process.

rather than knowledge production it is doubtful that they can build the capacity to become a sustainable region in the global system in the same sense as global city regions do.

A part of the problem here is identified by Smith (1990) in that the see-saw movement of capital is much less evident at the national and global scale. Regions that are waiting for, or are trying to pull the see-saw back in their direction face a balance that is heavily weighted towards urban agglomerations and previously developed areas. De-industrialized regions in particular are faced with being stuck between a rock and a hard place. Such regions can't compete on 'weak' competitive factors – such as low wages – nor 'strong' factors – such as knowledge production (Hudson, 2002). That is, in the new economy, there is little potential for development in peripheral regions, particularly those that are located off of the major communication and transportation networks. While these arguments are oversimplified here – the endogenous approach has exhibited success in certain cases and the pattern of global capitalism is more flexible than it is presented here – the point made is that uneven development is structurally inherent in capitalism. Furthermore, in the current mode of production, the odds are stacked against the (re-)development of losing regions.

The Problem Redefined – The Depleted Community

Introduction

Uneven development is a product of the forces of the global economy. To talk about uneven development we must talk about the larger forces and processes at work at the macro level. To be sure, these processes are anchored locally as the new economic geographies have highlighted. However, to talk of localities within the context of uneven development forces one to talk about the role of the locality within the larger patterns of production within the economy. In the first section of this chapter I described the inevitability of uneven development within the capitalist system.

The view of global production patterns, while very helpful in defining the dominant forces of spatial variation within the capitalist system, fails to account for other forces, such as personal relations, which affect the lives of people living in particular places. Furthermore, at times these usually subservient forces may become the dominant or at least critical shaping forces for the local community. For instance, Cape Breton would

not be able to continue to exist in the face of economic hardship if there was not an over-arching sense of 'community' and social value. As outlined previously the implications of uneven development for losing areas are bleak at best. This view of the potential for development, however, is based securely within the market paradigm (Fasenfest et al, 1997) and fails to see alternative potentials for development outside of mainstream economic development and the forces of global capital. The purpose of this section is to recast the problem of uneven development from the point of view of the community¹¹. By recasting the problem in this way we hope to see other potentials for development.

From the point of view of the losing community, uneven development is a process over which the community has little power, yet it serves to strip the local area of its productive capital. It is an exterior force which removes important aspects of the local community – jobs and capital investment. However, while the economic relationship of the community changes with the wider world, the interior social relationships are often maintained and become dominant over the forces of capital. Thus uneven development, from the point of view of the local community, is a process which depletes resources but may also leave intact, and indeed may increase the importance of, 'community'. The problems of uneven development, therefore, may be recast from the local point of view as the problem of a 'depleted community'.

In this section I will explore the regional problem through the lens of the depleted community. First I will set out to define the term depleted community. Second, I will look at the processes which construct the depleted community. Finally, in the concluding section, I will use the concept of the depleted community to re-examine the implications for development in such losing regions. By recasting the problem through the lens of the depleted community, it is suggested here, alternative solutions to underdevelopment can be developed. It is such an alternative solution that will be the focus of this thesis.

Defining the Depleted Community

The depleted community is a consequence of negative economic forces and positive social forces. It is a paradoxical term that identifies the tensions that exist in places

¹¹ It is, however, recognized that 'community' is a contested concept (Poplin, 1972; Plant, 1974; Young, 1990).

where economic decline has occurred in the midst of strong social communities. The term has its roots with a number of academics and practitioners of community economic development emanating from Cape Breton. The first use of the term was by Stewart Perry, an American writer and expert on community economic development, who used it to describe Cape Breton after consulting there in the late 1970s. Perry found the term to be the most poignant way to describe the economic deterioration and near exhaustion of community energy to deal with the problem. The term was subsequently picked up by a number of other academics at the University College of Cape Breton with whom Perry had close contact, and with whom this author is connected. MacLeod (1986), for instance, uses the term to describe places in which “society has changed in such a way that old communities lose their [economic] viability”. Johnstone (1996) describes depleted communities as those that had “experienced a sudden and pronounced reduction in employment from which they were unable to recover quickly” and further as locations where there is a lack of capital investment and significant barriers to business starts and growth (Johnstone, 1998). MacLeod (1994) characterizes depleted communities as places where there is a “lack of institutions that enable people to run their own affairs”. MacLeod also links depleted communities with the growth of a global economy and multinational businesses that move from location to location without any commitment to local communities (1998). According to MacLeod et al. (1996), depleted communities are further marginalized by the knowledge economy which excludes such areas from benefiting from advances in technology.

Most of these definitions and uses of the term focus on the economic problems of depleted communities. The problems of depletion, as Perry’s use indicated, reach beyond the economic. MacSween’s (1999) use of the term, used in the Prologue (p19) in the prologue, describes a social and psychological depletion as well as the economic. Implicit in many of the uses of the term however, is the desire to ‘save’ or preserve the ‘community’ which is being assaulted by the depletion. That is, the term finds its use in community economic development circles, particularly within Cape Breton, as it identifies both the root of their economic and social problems – depletion – and the goal of their development efforts – community.

Deconstructing 'Depletion' and 'Community'

The choice of using the term 'depleted community' suggests that it has advantages over similar, more established terms in the literature (less-favoured region, deindustrialized region, underdeveloped region, etc.), particularly from the point of view of the effected community. The purpose here is to see how its definition highlights certain aspects of the problem of such regions (and the solution for them) and to examine how this term differs from its more popular relatives in the literature. Putting these two words together creates an odd dissonance. Depletion, with its negative connotations is contrasted with the positive connotations of community. It is the tension between the two terms and the processes that they suggest that is at the core of their value as a term when used together.

'Depletion' suggests a process of removal, of something being used up. This term suggests both how community is constructed – what was there before that is now depleted – and the processes that lead a community into decline. These processes will be looked at further in the following sections. 'Community', on the other hand, replaces the word 'region' in similar terms and in a similar fashion serves to identify a geographic territory where the processes of depletion occur. Community, however, also comes with connotations and denotations of social relationships that make up and construct the territorial grouping. That is, community not only identifies the territory in which depletion has occurred, but also suggests some of the social processes that constructed the territory and identifies what has been maintained, what has not been depleted, within that territory. Depletion suggests processes of place destruction, and by implication, construction, through capitalistic relations. Community suggests networks of non-capitalist social relations. The term depleted community suggests that although these relations were once in accordance with each other, they are now in discord.

While community, the noun in the term, seems initially to be an objective territorial identifier, it is in some senses the more difficult part of the term, and comes with heavy connotative and denotative baggage. Therefore I will start by unpacking the contribution 'community' makes to the term 'depleted community'.

Defining Community

When defining 'community', most authors start by stating that it is a term that cannot be defined and then go on to do so regardless. Not wanting to break with

academic tradition, I will do the same here. Community is a complex term that is layered with multiple connotations and denotations which are not always compatible. Therefore, it is impossible to come up with the one universally agreed upon definition of community. The process of defining it, however, has value for the purposes of clarifying what is meant by community in this instance and for identifying the descriptive and normative evaluations that come along with it. I will review how community has been used and defined in the literature before settling on a definition which will be used here. The result, it is hoped, is a definition of community that fits with the literature on community but also helps to describe some of the processes of community formation and decline which are key to this research.

A starting point for exploring the concept of communities is with the German scholar Ferdinand Tönnies. Tönnies (1957) introduced the terms *gemeinschaft* and *gesellschaft*, which are translated as *community* and *society* respectively. Tönnies gave each term specific definitions. *Gemeinschaft* (community) was considered the natural form of human interaction. In community the social relationships are informal, usually based on kinship. The relations are usually localized and people form multiple links with each other. That is, people interact not on the basis of a single relationship (buyer-seller, for instance) but as people with multiple relational linkages (neighbours, relatives, friends, members of the same club, frequenters of the same pub, etc). Community, argued Tönnies, is a homogenous body based on the social authority of norms and tradition and is maintained by emotional bonds between people. By contrast Tönnies described *gesellschaft* as a social construct based on contractual ties. In *gesellschaft*, social relations are impersonal and authority is held within the rational legal apparatus. The move from *gemeinschaft* to *gesellschaft* is associated with modernity and capital development. *Gemeinschaft* is associated with the traditional and the rural while *gesellschaft* is associated with the modern and the urban. Tönnies associated this move from *gemeinschaft* to *gesellschaft* as negative and harmful to humanity. Something essential, a natural state, argued Tönnies, was being lost.

While these concepts were usually presented as polar opposites, it is clear that in practice the relations to which they refer exist together in the same places at the same time (Bell and Newby, 1971). People have both informal and formal ties within social relationships. *Gemeinschaft* and *gesellschaft*, community and society are not mutually exclusive. What is useful from Tönnies work is the identification of what type of

relationships form the basis for community and which do not. Tönnies argues that community is based on informal social relationships. Although Tönnies separates informal and formal relationships, most authors agree that community can and indeed does include formal as well as informal relationships. Thus the key contribution to defining community that this work is taking from Tönnies is the identification of multiple and overlapping relations, including both social and economic in the construction of community. From this starting point we can go on to explore other definitions of community.

As Wittgenstein argued, to use a word meaningfully in various contexts does not require that there be a single common feature. Meaning is constructed through use in language and thought. Furthermore, a word may have descriptive and evaluative meanings. Wittgenstein's argument demonstrates that 'community' has no single commonality in descriptive use but has various features *in common* between descriptive meanings. The evaluative dimension of meaning comes from focusing on some aspects of the descriptive meaning while ignoring others. This distinction is useful in analyzing 'community' as an object and 'community' as a normative evaluation. However, the normative evaluations of community make it difficult to define what community is rather than what it ought to be. That is, 'community' is always a partially prescriptive term. What follows is a categorization of definitions of community based on its descriptive and evaluative meanings.

Community as Description

'Community' as description identifies a particular object as a community. What constitutes 'community', however, is contested. "Community has been linked to locality, to identity of functional interests, to a sense of belonging, to shared cultural and ethnic ideas and values, to a way of life opposed to the organization and bureaucracy of modern mass society, etc. – a whole nexus of traits some of which may well turn out, on analysis, to be incompatible" (Plant, 1974). For some community refers to a locale (geographical base), for others it refers to a particular group of people (associational base), and still others describe community through its social function (functional base).

Community as a geographical territory is defined by physical, social or political boundaries. Willmott (1986) identifies 'territorial community' as people sharing place as a common element. Lee and Newby (1983) term this type of community as 'locality'.

This definition of community is weak because, other than the fact that people are living in the same area, there is little focus on the social relationships of those people (Lee and Newby, 1983) nor on how those social relationships construct the territory in the first place (Massey, 1995). Geographical proximity, however, does have an effect on social relations and thus does have an influence on community.

The associational base of community groups people according to common interests or features. Communities of association need not have territorial boundaries as in the gay community or the academic community. Lee and Newby (1983) call these types of communities 'communion' while Willmot (1986) calls them 'interest communities.' Communities of association, however, are very often uni-dimensional and do not involve multiple and overlapping relations between members. For instance, members of the academic community, in as much as they partake in a community of association, only regard each other and interact within their roles as academics, not as parents, as homosexuals, as model train enthusiasts, or any other role they may have.

The functional analysis of community, in contrast, emphasizes the role of the community in relation to the whole social body. Warren (1963) defines community as:

That combination of social units and systems which perform the major social functions having locality relevance. This is another way of saying that by 'community' we mean the organization of social activities to afford people daily local access to these broad areas of activity which are necessary in day to day living.

In this way community combines both territory and social relationships. According to the functional analysis of community, meaningful social interactions require proximity.

Parsons (1960) also holds to the functional aspect of community defining it as "that aspect of the structure of social systems which is referable to the territorial location of persons ... and their activities." Community is conceived of as a middle structure between the household and larger society (state, region, world). The term 'referable' in Parsons' definition does not privilege territory as an exclusive determinant of community and indeed allows that territory is itself defined as an outcome of social processes. Thus the functional view of community focuses equally on people and territory rather than privileging one over the other. This focus requires an identification of roles which organize how people interact with territory.

Parsons identifies four elements of community structure which define how people in roles interact in place and in doing so create community. The first element is residence location. Residence provides a reference point for a number of other roles and acts as the anchor of person to location. The second element is the work location which is usually organizationally and physically separated from the place of residence. The local community becomes a network of places of residence and places of employment.

A third element of community structure is jurisdiction. Jurisdiction refers to the governance structures of territory. The structures of authoritative decision making require defined limits and thus jurisdiction often has an exact area of power which is a component of community structure. It should be noted though that jurisdiction is only one element of community structure and although it is the only one with marked territorial boundaries, these boundaries cannot be taken as the boundaries of community. Community is constructed through multiple social processes of which jurisdiction is just one element. Furthermore, jurisdictions come in many forms and have overlapping and inconsistent boundaries. The jurisdiction of religious authority, for instance may be inconsistent (as well as less specifically territorially defined) with the political jurisdiction of local government structures.

Jurisdiction not only draws out boundaries, but also has power to alter the territory within those boundaries, either by changing the built environment physically – by building or tearing down infrastructure – or by making people act differently by exercising authority (enacting legislation, local bylaws, etc). Jurisdiction shapes people's behaviours within territory; it has local relevance. Jurisdiction, should therefore, be seen as a form of social organization which influences the social construction of community and not as the determinant factor.

The final element that Parsons discusses is the communicative complex. This is the network of communications where both messages and physical goods are transmitted between people and places. Communication itself requires a common culture – at least a shared language and a common frame of reference. The patterns of the movements of messages, physical goods and humans are aspects which contribute to the construction of community. It is the non-economic components of the communication complex that are critical here. It is the non-economic element within transactions which differentiate community communication processes with purely economic transactions.

Parsons combines these elements to create a concept of community. However, in this definition, there are no defined spatial boundaries to community. Community is seen as a social entity which exists in space but not with defined physical borders. Rather its physical borders are fuzzy as the social relations that construct community change and cross over borders into other communities. Communities, therefore, are spatially discontinuous and exhibit a weak spatial contiguity. Communities are porous entities which relate not only internally but also externally. They are internally differentiated (and sometimes conflictual). They have a central focus but may also have fuzzy borders.

Cohen (1985) describes how the boundaries of community are symbolic rather than physical. For Cohen, it is the symbolic meaning of community that is its defining characteristic. Cohen argues that symbolic boundaries identify the similarity of a community and distinguish it from another. Boundaries are symbolized through shared rituals, routines and behaviours. The commonality of these symbols creates the community identity by identifying its boundaries. Community exists because the internal coherence of these shared symbols is maintained despite the external relationships that exist between communities. 'Community' thus rests on whether members feel that they are in community and have a "commitment to a common body of symbols" (Cohen, 1985).

The descriptive definition of community being adapted here is aligned with the functional definition of Parsons and the symbolic definition of Cohen. As indicated above, the geographical basis of community definition fails to account for how territory and place are produced by social relations. In the geographic definition 'community' is a container that becomes created by social relations. However, as indicated by Massey (1995) and Hudson (2001) among others, places are constructed out of social relations. Community must be seen as a social construction of social relations stretched over space.

While the geographic definition of community privileges space over social relations, the associational basis of community definition does the opposite. An associational basis of community description is based on fractured accounts of social relations. The social relations of associations are uni-dimensional. The functional definition, however, does not privilege either territory or social relations. It acknowledges both of these as elements of community. Community as description, thus, is a network of social

relations, overlaid on space with a locality reference. Community is identified by a shared culture, use of symbols and symbolic boundaries.

Community as Evaluation

Plant (1974) also illustrates the evaluative meaning of 'community'. As he points out though, this task is difficult "because the whole notion of evaluative meaning is considerably less clear cut than that of descriptive meaning" (Plant, 1974). Plant traces the rise of the ideal of community in the 18th and 19th centuries through German social theorists such as Hegel. The idea of community that they developed was based upon the Greek polis as a "homogeneous, participatory, rooted community" (Plant, 1974). From this base, the community ideal has gained several points of emphasis such as an ethic of care, the whole person, and cooperation and fraternity. I will look at each of these normative meanings of community in turn.

Georges van den Abeele finds two slightly different etymologies of the word community. On one hand is *com* + *unus* meaning "what is together as one" and on the other hand is *com* + *munis* meaning "with the sense of being bound, obligated or indebted together" (van den Abeele, 1991). This points to the two classic ways of viewing community in the West as an organic, whole body politic and alternatively as a social contract of mutual indebtedness (Gibson, 1999). Both conceptualizations of community, argues Gibson, encompass an ethic of care. That is, 'community' is indicative of the social responsibility for the care of others. It suggests that we have an obligation to aid one another. Thus, community is held in opposition to individualism. Material survival depends upon care of each other. Community as an ideal evokes this quality of mutual care and claims it to be more moral than individualism.

As well as material need, community also suggests a psychological need. Community evokes concepts of the whole person. Again, in opposition to individualism, community suggests aspects of the social or communal side of the human psychology. As Poplin (1972) argues, "members of communities regard each other as whole persons who are of intrinsic significance and worth whereas members of mass society regard each other as means to ends and assign no such intrinsic worth and significance to the individual." Community thus "lifts the man out of the particularity of ones own personal and selfish interests so that in community he is given a less narrow and sectional sort of social experience" (Plant, 1974). In community people are viewed

as entire persons rather than as a role with whom only fragmented relations are expected.

Paradoxically, this raises the primacy of the individual as a central issue to community. This draws upon the philosophy of personalism, which makes claims to the intrinsic worth of each human (Maritain, 1972). Each human, according to the philosophy, has the "right and responsibility to develop themselves to the fullest extent" (Boswell, 1990). Respecting this right necessitates personal liberty. Personal development, however, can only be achieved through the personal relationships of community. Thus community is seen as the means of personal development for human persons as in the functional definition of community explored above. The focus on this function of community leads to a normative concentration on the development of whole person. "Society appears, therefore, to provide the human person with just those conditions of existence and development which it needs" (Maritain, 1972). Community is created by and for the purpose of enabling human interaction, through which individuals grow and become 'whole'.

The 'need' for community, materially and psychologically, leads to the final evaluative meanings I will discuss: cooperation and fraternity. Again, cooperation and fraternity can be placed in a dialectic opposition, as Marx did, to features of capitalism such as conflict and competition. Community combats fragmenting forces in society, thus evoking evaluative meanings of unity. Members of community behave on the basis of mutual self-help rather than through competitive motivations.

For some, however, 'community' can have negative implications and evaluative meanings. Young (1990) describes the ideal of community as privileging "unity over difference, immediacy over mediation, sympathy over recognition of the limits of one's understanding of others from their point of view." This ideal is problematic she further argues, because "those motivated by it will tend to suppress differences among themselves or implicitly to exclude from their political groups persons with whom they do not identify." Thus, there is a danger the ideal of community will fail to recognize the heterogeneity of humanity and attempt to create a single homogeneous whole.

This occurs when there is a single commonality of being that a community must attain, when the 'who' in community is important. Gibson (1999) argues that this is where the ideal of community fails, when the emphasis is on commonality of being rather than to being in common.

In the Wittgenstein tradition, 'community' does not require a single common feature but relations of commonalities. A single person in a community will not know everyone else, but through the social relations of all, everyone is linked. Community is an aggregative force, not integrative (Cohen, 1985). Community is not homogeneous but a heterogeneous group where conformity and individualism are reconciled. There is a commonality of forms (behaviours, routines, culture) but meaning is interpreted individually. Members of community are related not in their personal commonalities but in their common use of the symbols of their community, however different their individual interpretations of those symbols are. Through this understanding, therefore, community can be seen as heterogeneous. In any case, despite Young's critique, the connotations of community are overwhelmingly positive and are associated with the evaluative meanings mentioned above: physical and emotional care and fraternity.

These evaluative meanings of community lead to value-laden connotations of community which make it difficult to use the word in an objective sense.¹² Essentially 'community' has an evaluative meaning as a positive aspect of human life. Its evaluative meanings are drawn from the benefits, and indeed some would argue necessity, of people living in communion. While the descriptive definitions of community try to identify the social entity that is community, the evaluative meanings of community capture the benefit of community for the individual.

Defining Community – Conclusion

The definitions presented above include a wide array of possible definitions of community. The descriptive definition being adopted here, as mentioned previously, is aligned with the structural-symbolic view of community. This view of community sees it as a complex network of multiple and overlapping social relations which refer to a particular location. The location of community becomes meaningful as a place because of the social relations that are overlaid and attached to it. Through these social relations and their ties to place, members of a community develop a shared identity linked to place. Members of community share the same symbols and form the same symbolic boundaries of community. For the purposes of this work, therefore, community is

¹² It could be argued, however, that all terms, particularly those that claim not to be, are value-laden. The complexity and ambiguity of the values that are entrenched in the term 'community', however, make the use of the term particularly difficult.

defined as a network of place-centred multi-dimensional social relationships which share the same symbols and symbolic boundaries of identity. Communities, furthermore, have an intrinsic social value as beneficial social entities in which human social and individual needs are fulfilled.

Combining the structural and symbolic approaches to community avoids some of the pitfalls of either approach on its own (Liepins, 2000). This view avoids essentialising community as a 'natural' social outcome, as a purely structural definition does, by focusing on the need for members to feel they are in community and have a common destiny. This approach also avoids ignoring the material reality of community, a problem with the purely symbolic approach, by acknowledging that community exists in space and incorporates the built environment as well as social relationships. Finally the normative definitions of community add a sense of the social value of community. Community in this sense is valuable for its ability to fulfill the communal nature of human material and psychological needs.

Defining Depletion

The term 'depletion' is a new term for economic geography in discussing uneven development. Unlike, community, therefore, it is easier to define as it is (as yet) an uncontested term. The limited use of the term depletion in the academic literature frees it from the baggage that is inherent with the use of the term community. However, since it is a new term, it does need to be specifically defined. Because it lacks a history in the literature, there is no basis for understanding the term in the context to be used here. Thus, a careful consideration and definition of the term is needed.

What does the term depletion mean? One can go to the dictionaries to find the basic definition, such as the Oxford English Dictionary's definition: "emptying of contents or supplies; exhaustion". This, however, gives little indication of the meaning in the context it is used here. In practice 'depletion' is often used in reference to natural resource systems. In biology, and to a limited extent in economics, depletion refers to the using up of natural resources. In the context that the term is used here though, the resources in question are not limited to natural resources. Here the resources that have been depleted are understood to be broader, including many of the resources that are part of community. These include capital (both productive and financial), labour,

institutions and government as well as environmental or natural resources. Perry finds that 'depletion' "calls attention to the exhaustion or near exhaustion of economic resources ... and also the social-psychological resources – viz., hope for a better future, energy to get there, institutional tools to focus the energy, etc." Thus for the purpose of this thesis and in the context of the term 'depleted community', 'depletion' refers to the exhaustion, draining and/or de-valuing of resources, economic and social, which are a part of the community.

The use of the term depletion in this context implies a *process* of depletion. There was once something there that has now been depleted. This also implies that there was something created or developed in the first place. Depletion focuses on the negative process of uneven development but implies the previous existence of the positive, of development. Depletion, as an aspect of uneven development, is associated with economic processes. More specifically, depletion is a process of capitalist development. While the resources that are depleted are not limited purely to the economic (capital), depletion recognizes the dominant influences of capitalist social relations over non-capitalist social relations (Hudson, 2000). These processes will be explored later in this chapter.

Depleted Community

Now that we have defined the terms individually we can put them together. Community is a localised network of meaningful social relations differentiated by shared symbols and culture, which also evokes positive evaluations of human life. Depletion on the other hand refers to economic processes of resource depletion. Thus we have a negative economic process contrasted with a positive social entity.¹³ The term depleted community captures the tension between these two forces. Depletion is a part of the process of capitalist development which first creates and then destroys. Community is both an outcome of this process of capital development and serves to subvert the forces of capital relations. 'Community' exemplifies how place is socially embedded. It anchors social relations and disrupts the free movement of capital by tying labour and agents of capital to particular places. Capital's influence on the landscape

¹³ Community, however, should not be considered solely as a static entity. Community is constructed and reconstructed through the practice of members of the community. Community, thus, can be understood as a continuous process of building social relations and constructing symbols.

and its mobility is incomplete because of the inertia of communities and the social power that they wield.

A *depleted* community is one where the economy is in decline. The resources of the area, according to profit seeking capital, are 'used up'. The growth mechanisms that previously may have developed the area have now changed. Resources valued by the new growth mechanisms are absent. If resources that are valued by the economy remain – capital, labour, raw materials, etc – they are exported to other places, further depleting the community. The economic signals would indicate that capital is abandoning this particular place and that people should also move to more profitable locations.

A depleted *community*, however, continues to exist as a social entity. While the economic signals are for people to move, the ties to community, the emotional bonds and the social benefits of living in communion in particular places create a powerful inertia for community. Referring to his time spent in Cape Breton at the time the phrase was coined, Perry notes that "what was definitely not depleted, and thus the potential well-spring of a vigorous hope for a better future and of the energy to get there, was the local cultural identity and the joy in that identity, especially as manifested by local music drama and the pleasure in each other's company!" A depleted *community*, therefore, maintains a strong and active network of social relations. The symbolic boundaries of community continue to be reconstituted and indeed may be strengthened by the perceived threats of economic change.

A depleted community is one which is lacking in dominant growth mechanisms. Thus a depleted community suffers from economic decline and social problems associated with economic decline. A depleted community, however, is more than simply a region that is lacking in growth mechanisms; it is an area in which, despite the lack of growth mechanisms, people retain an attachment to place and are hesitant to move out of. That is, while economically depleted, these areas retain strong social bonds between people and between people and place. They are socially vibrant.

Perhaps we can better understand the term and its usefulness by comparing it to other similar terms in the literature. Why use 'community' and not 'region' as the territorial identifier? Why 'depleted' and not 'de-industrialized', 'less-favoured' or 'underdeveloped' as the adjective? What advantages or useful alternative perspectives does this term offer that these other terms do not?

To start we can compare 'community' and 'region'. While 'region' acts mainly as a geographic container, 'community' more strongly draws attention to the social construction of territory. Community, as a network of social relations, also identifies what remains after processes of economic depletion. That is, community, with its positive evaluative meanings, identifies something of social value which remains after capital devaluation. The evaluative meanings of community thus add something to its use as an identifier of a place. Whereas 'region' is less value-laden, its objectivity fails to account for the human characteristics and value of specific places. Thus, 'community' is valuable as it identifies the social value of place (despite economic devaluation) as well as the social construction of place.

While 'community' identifies the positive side of the term, 'depletion' highlights the negative forces involved in the depleted community. Depletion identifies a process of resource exhaustion where the resources are broadly understood to include both economic and non-economic resources. Thus, depletion identifies a process which is much broader than simply de-industrialization. Depletion also refers to an exhaustion of natural resources, to de-governmentalization, de-institutionalization, de-labourization, etc. Depletion identifies how the process of uneven development has effects much further reaching than simply on the industrial production complex, it is a process that affects all other aspects of society. Here 'depletion' has an advantage over 'de-industrialization' as being more descriptive of the broader processes involved, particularly from the point of view of the community.

Depletion identifies the opposite process to development. Underdevelopment by contrast identifies not an opposite, but a lack of development. That is, underdevelopment sees capital development as a wholly positive process where places only have a problem in terms of the extent to which development is taking place and fails to recognize the requirement of decline as well as development within the system. Underdevelopment, by implication, presupposes a linear evolution of the world towards a developed state (Esteva, 1992). The term presumes that development is a process that occurs everywhere, but that some places appear to lack in the relative intensity of development. It is clear, however, that the capitalist system requires and actively produces an uneven economic geography by depleting one area of resources at the same time that it develops another. Depletion has the advantage here by identifying regions

which are suffering from the negative effects of capitalist development, of disinvestment not simply from a lack of development.

Similarly, the term 'less-favoured regions' identify regions which have not been highly 'favoured' by the global capitalist system. It suggests that capitalist development favours all regions, just some more than others. It describes regions that are in search of the favours of capital. However, as with the case of 'underdevelopment', the term 'less-favoured regions' associates only with the positive aspects of development and glosses over the negative aspects. In practice communities are not simply 'less-favoured' by the movements of global capital, they are decimated by them. Mining and steel-making communities, both in Europe and North America, such as Cape Breton, suffered severe social and economic hardships as a result of changes in national and international economies. 'Depletion' catches the social and economic hardships that such regions face, while other terms do not.

Depleted community has an advantage over other terms by explicitly identifying processes of decline that touch places in very broad terms, but also recognizes the social construction of places and the social value that remains in particular places that have been subject to economic decline. As a term of community economic development practice, it describes the problem from the point of view the prime stakeholders and, according to the new economic geography, the prime agents responsible for any development of such areas. Other terms come from academic and policy communities and serve interests other than that of the community.¹⁴ The term 'depleted community' attempts to identify the causes and effects of the problem while simultaneously recognizing the assets that remain after decline. Thus, 'depleted community' is a term that provides a vantage point on uneven development which can help suggest a solution to the problem by identifying the assets of the community and recognizing the sources of the problem in the first place.

Place, Space and the Depleted Community

The depleted community can be understood through a distinction between space and place. Hudson (2001) offers a conception of space and place as constructions of

¹⁴ Escobar (1995) for instance describes how the terminology of development and underdevelopment is a tool which maintains the imbalance between the two, serving to keep such places exactly in such a state.

capitalist social relations and personal and collective social relations respectively. This distinction is useful in the discussion of the depleted community as depletion is a process that takes place in economic space while community exists as an entity focused on particular places.

Space is a socially defined concept based on the dominant social relations within Western society, those of capitalistic development (Harvey, 1996). Space is the product of capital's evaluation of location based on its capacity to produce profit (Hudson, 2001). Capital evaluates and constructs space based on assessments of location as a site of financial reward. Space, is therefore valued through the lens of capital production based on the relative mix of the factors of production available and access to markets. Thus space can be seen as a one-dimensional construct of capital logic based on the profit motive. This is spatially distributed according to the spatial structure of the production form.

Place, on the other hand, is a construct of the complex and multiple relations of social life. Places are not simply sites of production and consumption, but places of meaningful social life; places to live and die; places to learn and love; locations of socialization and cultural acquisition. It is made up of a complex system of social relations and material objects. Place creates a distinct culture, has meaning and both has and creates identities (Hudson, 2001). Thus, while space is the location of profitable enterprise, place is the location of social life, where people live and learn as well as work. Places have histories of socially produced meanings where significant cultural investments have been made. As sites of socialization and daily life, locations of cultural investment, and as a basis for identity formation, places create powerful emotional ties and attachments to place.

Depleted communities can be seen as areas which have lost their economic rational as space, but maintain high attachments and social relations of place. That is, they are no longer seen as profitable spaces for production, but remain meaningful places for those who live in them. Since uneven development is a structurally inherent feature of capitalism, we can expect depleted communities to be persistent within the framework of a capitalistic economy. Capital's greater mobility means that meaningful places will be abandoned by capital while people will continue to remain attached to them.

Metropolitan areas, where there are complex concentrations of numerous overlapping growth mechanisms, are more likely to succeed and grow than those

centres on a simple growth mechanism. Indeed those metropolitan centers which have overlapping synergies of the dominant growth mechanisms within the context of the 'new' or 'knowledge-based' economy, 'global city-regions' (Scott, 2000), have become the centers for growth on the world stage. The complexity and synergy of overlapping growth mechanisms in metropolitan areas, and their ability to constantly adapt to new growth mechanisms, assures large metropolitan regions a role in the global economy. By implication, regions laying outside of these global growth centers can expect to experience very limited and temporary growth if any at all.

At the other end of the scale from metropolitan areas, rural areas maintain a relatively constant (although qualitatively changing) growth mechanism of agriculture and primary resource extraction. Between the two are small towns and urban areas which rely on a limited number of - or weak - growth mechanisms. It is these areas in particular that are candidates for becoming depleted communities. It is these areas, particularly within the context of global competition and hyper-mobile capital, that are at the greatest risk of losing their economic rational in space. In Hinderlink and Titus's study on small towns and regional development (2002), for instance, it was determined that the success of small towns is contingent upon the national and regional economic and policy context. Such areas may have long histories of social life which create strong feelings of community and attachments to place. On the other hand, they may lack strong identities of place and exist primarily as spaces of economic profit. Economic spaces may or may not develop a separate and vibrant sense of community. The degree to which such areas become meaningful places as well as economic spaces will determine their future when capital abandons them.

In the latter case, where there are very weak attachments to place, mining towns in the Canadian North are good examples. The small towns and villages were created solely as locations for profitable enterprise – mineral extraction. These towns and villages were created to house mineworkers and had a very narrow demographic range of inhabitants – women, children and the elderly were for the most part absent. There were very few attachments to place here. For example the town of Faro, Yukon Territory is based on the presence of a zinc mine. Zinc prices, however, are very volatile and the mine closes and opens depending on the price of zinc in world markets. Thus the town shrinks and grows according to the situation of the mine. In the eight-year period between 1991 and 1998 the population fluctuated from a low of 528 to a high of

1536. People who live there usually come from other, more meaningful places, and see very little reason to remain when the mine closes or shrinks its workforce. When the mines do close, as occurred in Keno (Yukon), once the largest producer of silver in North America, the towns empty out, becoming ghost towns. In these cases, people are evaluating such places in the same way as capital, as places of profitable enterprise and they invest very little social and cultural capital in the place. When the mine closes for good, these areas become ghost towns. In these examples we see spaces that exist primarily as locations of capital exploitation. These ghost towns are in contrast to depleted communities which persist despite the lack of an economic rationale for their existence.

Cape Breton, or more specifically the industrial region of Cape Breton, is a good example of a depleted community. Despite the closure of the main industries there remains a strong culture and attachment to place associated with the towns and villages that make up the municipality. The reluctance to leave such places is evident in the songs that come from there. MacGillivray's song at the beginning of this chapter is exemplary of the pain involved in moving away from such rooted places. The economic effects of depletion can be seen through economic indicators such as high unemployment, high economic dependency rates and low wage levels. Cape Breton, however, remains as a meaningful place, as a reference for cultural identity and its people continue to have strong attachments to place and demonstrate a reluctance to leave in order to find work.

We call locations such as Keno ghost towns because they are locations that have lost their life as places, not just as economic spaces. They are locations with histories and identities but the people who created those meanings abandoned it as a place concurrently with capital abandoning it as profitable space. In contrast, places such as Cape Breton have largely been abandoned as economic spaces, but have maintained high levels of meaning as social places. Despite economic decline, there remain strong attachments to place. Depleted communities are ghost spaces but living places.

Depleted Community as a Process

The depleted community is part of a process of development and decline inherent in the capitalist system. In this section I will look at the process that leads to the construction and subsequent depletion of a community. Community is built up through

a process of developing production, government, social and institutional resources. Depletion is a process of loss of the dominant resources of an area – mainly production, but also government and institutional resources as well. The depletion of resources leaves the social relations remaining. They, however, don't fill the same role as before in relation to the other resources. Therefore the social relations become somewhat distorted and stressed. But they do retain their own value. Those social relations that remain are what constitute community. Community is resilient through time. (In contrast, capital and thus production is very mobile and can come and go through space very quickly). To be sustained though, community relations do need the other resources.

Community Creation

The goal of this section is to set the process of community formation in the context of place construction and the dominant forces of capital social relations. Capital social relations are involved in place construction, and community construction.

Place construction is a process of grounding social processes in space and time. Place construction occurs in space and thus, in a system dominated by capitalistic relations, is partially a result of the capitalist valuations of space and the grounding of economic activity for the purposes of capital accumulation. As Massey (1995) points out, theorizing about place and its uniqueness requires an understanding of large scale processes, and therefore of the construction of space. Massey identifies places as the outcome of the spatial division of labour, as the unique and changing outcomes of multiple layers of capital investment (and dis-investment) linking places and their construction to global processes and patterns of development (Massey, 1995).

Through the processes of uneven development, capital creates, develops and builds-up space through capital investments in production processes. Capital becomes fixed in localities. This capital investment also attracts people, as labour, to spaces of capital development. People, however, have different demands on space (as living space) than the limited view of capital (profitable space) (Hudson, 2001). People require governance systems, living spaces, recreation spaces, social institutions, etc., all of which are not directly related to the process of capital accumulation.

People living in a particular location over time tend to build up local histories, systems of governance, institutions and social spaces. It is through these non-capitalist developments, through the multiple social relations that flow through and are shaped by

local space and institutions that a sense of place develops. Thus inward investment acts as the trigger for development in a particular location, but it is the non-capital social relations that follow from which place is constituted. For instance, the opening of the mines and steel plant were the economic catalysts around which place was constructed in Cape Breton.

Places are the locations of material objects in the built environment and social relations that flow through that environment and create meanings, identities and attachments to place. Place is socially constructed. However, the shaping role of place on people must also be acknowledged. People are also constituted by the places in which they live. Place and its unique characteristics are an important part of identity formation and the socialization process.

The process of place construction creates the potential for communities to be established. Place construction, it should be noted, does not necessarily lead to community. Community is not an inevitable outcome of place construction. Rather, community is a potential outcome of place construction and occurs to various degrees and strengths in different places at different times. Although some acknowledge that community does not necessarily occur in specific places - as in spatially dispersed communities and imagined communities (Silk, 1999; Massey, 1997) - community, as defined here, occurs in place, in locations of meaning and identity where people live in proximity. What then differentiates place from community? How is community created in place?

'Community' speaks to the nature of the social relationships of people living in places. Places exist where there are intersections of social relations in space (Massey, 1995). Communities occur when the identities, cultures, and symbols expressed by people in location are shared. That is not to say that communities are homogenous entities.¹⁵ Meanings and identities in communities may be interpreted very differently by different members of the community (Cohen, 1985). Communities exist when the symbols and ties which bind people in and to place are stronger than the external relationships of community members. As Perry (1987) comments, community exists when people *feel* they are linked to a common destiny. Community is built through a

¹⁵ For example, Waage (2001), for example, describes how rural white landowners and natives in Oregon have developed common symbols and identities based on their relations with each other and their common land.

social process when people's shared relations, histories, cultures, languages, behaviours form into shared symbols and feelings of community linked to place.

Depleting the Community

The process of depletion is triggered by changing patterns of development at the global level and the changing role that the particular community plays in that international pattern of production. As described earlier, new modes of production and new forms of work create new spatial outcomes for production, altering the valuation of space and shifting, destroying and creating growth mechanisms. The effect on the declining community is a loss of growth mechanisms and the capital investments that accompany them.

Depletion, as development, is triggered by capital investment and dis-investment. Capital outflows, however, have secondary effects on the community. Economic decline leads to the depletion of other resources such as governance structures and local institutions. Governance structures and institutions dependant on and attached to the local economy will be weakened and/or will abandon places, following capital. For instance, in communities which have lost a major employer, labour unions which previously were a powerful player in local governance have lost their rational and power as governing bodies. Such is the case in Cape Breton where in the absence of industrial employers due to the closing of the mines, the miners' union was forced to close its local branch. Social institutions organized around industrial classifications no longer exist.

Maintaining the Community

What is left after depletion? The economic forces of development and depletion are dominant forces. Economic forces are manifested through capital investment and devaluation according to the dominant growth mechanisms of the time. The (increasing) mobility of capital allows it to respond quickly to the changes in growth mechanisms. When capital abandons a community, that community is left without the economic resources to sustain itself. Without economic resources in a community, should people move? The rational economic strategy for people in depleted communities is for them to abandon their community and search for work elsewhere. Speaking to a Conservative Party conference, British politician Norman Tebbit compared his father's depression era

self-help attitude with that of rioters in Britain during the early 1980s when unemployment was over 3 million, "He didn't riot. He got on his bike and looked for work" (Tebbit, 1996). Clearly Tebbit felt that people should move to find work.

People, however, are much less mobile than capital. They have families, friends and other social ties to place. They have social, cultural and financial investments in their places which make it difficult to uproot and move. The community relations that have been built up become relational assets which have value that counterweigh the economic arguments that people should move out of depleted areas. To a certain extent, communities can replace the traditional formal economy with various grey and black economies. Attachments to place make 'community' a durable and relatively immobile entity. Thus, the existence of community makes abandoning place less likely as people see social advantages to staying despite continued economic decline.

Furthermore, the process of depletion may actually increase the feelings of community and lead to the creation and recreation of community solidarity. Cohen demonstrates how symbolic boundaries of community become clearer once they are threatened (Cohen, 1985). Threatening community leads to a reinvigorated and stronger defence of community by its members. Thus while economic decline has a triggering effect on governance and institutions, in depleted communities it may have the opposite effect.¹⁶ In depleted communities what remains after depletion is community. Although the community may be depleted in numerous different ways, it retains positive relational assets which maintain it as a place to live. Community gives people reason to stay despite economic rationale.

Conclusion: Implications for Development Revisited

We can now revisit some of the implications for development within depleted communities. The processes of depletion are part of the broader processes of uneven development and global capitalism. As a consequence, the problem of the depleted community is inherent within the capitalist system and there will be a continuing need for regeneration in depleted communities. Within the new economy, however, depleted communities have very little potential to attract growth mechanisms. That is,

¹⁶ This inverse relationship is not given, however. One can think of examples where social and communitarian relations breakdown in the face of economic depletion. Depleted communities, as opposed to other cases, are characterized by a strengthening of social relations in the face of adversity.

mainstream market-led development is unlikely to occur in depleted communities. If development is to occur it will have to be a political decision towards redistribution or be based on an alternative model of development. The incentives for states to maintain redistributive policies, however, have been demonstrated to be weak, particularly in an environment of hyper-mobile global capital (Dunford and Perrons, 1994).

The depleted community is a location where the usually dominant forces of capital are absent. Capital has abandoned depleted communities as valuable space. However, communities maintain themselves as meaningful places. The lack of the dominant capital forces allows, and indeed if the community is to survive, requires, alternative forms of development. The depleted community, it is argued here, is important as a potential space of alternative development. Depleted communities, while lacking in many resources, have a sense of community, which can be seen as a potential resource for alternative development. Thus depleted communities are spaces of hope for alternative development experiments.

Thus, if development is to occur in depleted communities, it can be expected to be based on community. While traditional development recognizes the benefits of social relations in production through such concepts as social capital and tacit knowledge, in depleted communities, social relations, particularly those of a non-economic nature, must become the foundation for development. Community-based economic development (CED) is one such alternative development model that uses community assets as a resource for development. Through CED, communities regain economic value as spaces based on their meaningfulness as communities. The depleted community is the space in which CED operates. The concept of the 'depleted community' is useful because it redefines the problem of uneven development from the point of view of the losing community. It is a term that has been coined by practitioners of community economic development. They use it because it empowers them and is more useful than academic or policy terms that have been used for the same purpose. It highlights both the processes of decline which lead to problem regions (depletion) and is indicative of the assets that remain after decline and thus, the starting point for regeneration (community).

CHAPTER II – COMMUNITY ECONOMIC DEVELOPMENT

The Cape Breton Tour Guide

From: *The Rise and Follies of Cape Breton Island*, 1985¹⁷

Scottish Tourist

Angus MacDonald, what's dis Cape Breton like anyway?

Tourist Guide

So help my God, some of you guys talk awful funny. Now don't be frightened about Cape Breton, you'll probably know everyone there, you're gonna love it. It's identical to Scotland you know, only it's got trees.

Tourist's Daughter

But why do we have to leave, it isn't fair!

Tourist Guide

(laughs) You know, everybody says that where were goin' too. Yer gonna love Cape Breton Island.

You know, my great great, give-or-take great grandfather, he was responsible for getting the first boatload of settlers over here to Cape Breton Island. My great grandfather, he knew Alexander Graham Bell. Now there was a man who *loved* Cape Breton Island. So much so, we buried him here.

Yeah, it's a great place to retire. It's a lot like Florida you know. Well, the same only different. Its like the fella says, the only place in the whole wide world that you'll find more characters than on Cape Breton Island ... is Disney Land.

Yeah, it's the people that make the place. They know who they are and they know where they fit. It's the people that make the place.

¹⁷ The Rise and Follies of Cape Breton Island was a musical and comedy show in Cape Breton in the early 1980s.

Introduction

The contrast between economic depletion and strong community in depleted communities creates a need for the community to respond. Problems of depletion have, in the past, been seen as the responsibility of national and provincial governments. Certainly, in the Cape Breton case, this has proved to be true, although lacking in results. Alternatively, a neo-liberal argument may suggest that the economic decline of some regions and communities is 'natural' and the government should not intervene in the process. From the point of view of the depleted community, neither approach seems to have been able to solve the problem. Communities suffering from depletion, in face of the absence or failure of traditional development mechanisms, must find alternative forms of development. Community economic development (CED) is a response to depletion that is often attempted, in the face of economic hardship, at the community level. The CED approach offers the depleted community a means of development that focuses on the resources that remain within depleted communities, the social relations and solidarity of 'community' itself.

In this chapter, the field of CED is examined, mainly through a literature review. While I include literature from both Europe and North America, there is a bias towards Canadian literature. The chapter first takes a look at CED's history before sorting through various definitions of CED. I then place CED into the broader context of the social economy and draw out the role of CED within the social economy. I conclude by matching the fit between CED and the depleted community and comparing CED's limitations and potential.

CED History and Prominence

Community economic development, as a term, was developed in the United States in the 1970s. The movement of activities that can be called CED, however, dates back much further. Perry (1987) finds the roots of the modern CED movement in the U.S.A. in the sixties. While part of the roots of CED can be found in the hippie movement and its 'hope and search for a better way', the specific forms of CED can be traced back to the race riots that occurred in cities around America in the mid to late sixties. The growing black consciousness in a still racist America, argues Perry, led to a desire for

local self determination. The outcome of the riots was that local black communities across America came together to form unique forms of community organizations aimed at rebuilding their communities. This represented a shift from an “individuated legal concept of black civil rights to the social psychological concept of black community” (Perry, 1987). The community became aware of its own responsibility for local development.

Suddenly it became clear that the stricken neighborhood would never improve because of natural and spontaneous market forces or because government agencies would eventually do something; a neighborhood would have to consciously take its destiny in its own hands and build all of the necessary resources – the institutions and social tools that make a community work.

(Perry, 1987)

As well as the civil rights movement, Peirce and Steinbach (1987) identify the work of several U.S. government and private agencies such as the Office of Economic Opportunity¹⁸ and the Ford Foundation in developing the concept of CED. These organizations focused on revitalizing communities through employment and business development. In 1970, Peirce and Steinbach state, there were about 100 community economic development corporations in the U.S. By 1991, according to the National Congress for Community Economic Development (as quoted in Fontan, 1993), this number increased to 2000 community economic development corporations.

In Canada, the early CED movement is linked more strongly with the cooperative movement (though see MacLeod 2001 for a discussion of a modern divergence). The roots of community economic development in Canada are traced by MacLeod (1986) and Lotz (1999) and go back to the early 20th century in the form of the Desjardin and Antigonish Cooperative movements. The Desjardin movement began in Quebec when Alphonse Desjardin, who had studied a local banking experiment on Prince Edward Island, set up the first Caisse Populaires (Credit Unions) in 1900. The more widely

¹⁸ Perry had worked for the Office of Economic Opportunity and much of his work there was an attempt to re-create the success of a number of the first community development initiatives that emerged out of American black communities after the race riots.

known Antigonish movement, received its name from the location of Saint Francis Xavier University, where two Cape Breton priests, Father Jimmy Tompkins and Father Moses Coady, were stationed. Bolstered by the readings of catholic social thought, Father Jimmy Tompkins argued for a system of local adult education as a way to think of solutions to local problems. When the fiery priest argued against the University on another issue, he was exiled to the small town of Canso, where he began to put his ideas to work (Lotz, 1999). Tompkins organized the local fishermen to protest unjust practices by the fish barons they sold their catch too and helped them form their own processing and marketing cooperatives. These actions got the attention of the federal government and the subsequent royal commission encouraged cooperative development. Cooperative development was directed through the extension department of Saint Francis Xavier under the direction of Father Moses Coady. Together, Coady and Tompkins, encouraged people to become 'masters of their own destiny' through adult education and cooperative development (Coady, 1939).

Ninacs (2002) traces the roots of these cooperative developments in North America in social debates and similar developments going on in Europe during the 19th century. The debates around British socialism, Catholic social doctrine (*Rerum Novarum*), mutualism, French personalism (Mounier and Maritain) and distributism (Belloc), as well as earlier debates by the French utopian socialists (Fourier) all contributed to the rise of the idea of the 'social economy' (Ninacs, 2002; Mathews, 1999). These social discourses led to, and in part were based on, a number of initiatives in the social economy in Europe, including Robert Owen's work, French cooperatives, the Rochdale Pioneers and, later on, the founding of the Mondragon Cooperatives (Mathews, 1999).

In Canada, the modern CED movement began in the 1960s and 70s, partly as a response to the CED movement in the U.S. In fact, the CED movement in Canada has much to owe to the models developed in the U.S. Perry (1987) recounts how many CED initiatives in Canada were born out of a meeting of community groups from across Canada in Nova Scotia in 1975. At that meeting the Canadian representatives learned of the models being used for community development in the U.S., and in particular the Community Development Corporation (CDC). Although numerous communities in Canada were engaged in some form of community organizing and development already, Perry (1987) states that the importance of the meeting 'cannot be overemphasized' as it accomplished a number of things: A) it encouraged numerous community groups to

establish CDCs in their own areas¹⁹; B) united isolated communities across Canada in a forum to share ideas and experiences creating the feeling of a movement rather than localized struggle; C) introduced the language of CED to federal and provincial governments and put pressure on them to act. Thus a number of CED organizations were established in communities across the country, the Federation of Community Development Corporations of Canada was established and the Federal government announced funding for several experimental projects as well as a three-year program to aid CED efforts in Canadian small towns.

In Europe, although the term 'community economic development' was not often used (although see Houghton, 1998, 1999 and Pearce, 1993), numerous locally-based initiatives did emerge. Fontan (1993), in his review of the literature on CED, states that many European authors have trouble with the word 'community' as the problem areas (mostly urban) that they are describing and working in suffer a lack of community. The problem is based on the co-existence of different populations and thus intervention should be targeted to geography rather than an identification with a community. Thus area-based development and the more general 'social economy' are preferred to community economic development.

The prominence of CED in North America in particular but also in Europe, through work on the social economy, can be measured by the number of community based initiatives, the volume of academic and practitioner work on CED and by the influence the movement has had on the state through the number of government support organizations and initiatives. For instance, in Canada, there were over 175,000 non-profit corporations in 2000 and non-financial cooperatives held over \$17.4 billion in assets in 1999 (Ninacs, 2002).²⁰ Furthermore, Fontan (1993) indicates that CED is a growing field in terms of written materials, many of which are aimed at practitioners rather than academics. The prominence of CED is also apparent in the responses the federal and provincial governments in Canada have made to the CED movement. The language of CED has entered into policy discourses at all levels and several provinces have developed departments dedicated to CED or with significant CED components.

¹⁹ Greg MacLeod, the initiator of New Dawn Enterprises which will be the focus of Chapter V, learned of the CDC model at this conference.

²⁰ It is not known how many of these non-profit organizations and co-operatives could accurately be called CED organizations. The point, however is not to give an accurate count of CED organizations but to give a sense of the magnitude of the sector.

Above we have explored the history of CED emergence and some of the philosophies behind the various CED movements. However, the fire behind CED initiatives on the ground has always been the need for local development due to crisis in the local social economic system. For instance, in the U.S., the community development corporation model emerged out of the race riots of urban America. The early cooperative movement was a response to the social impacts of industrialization. The reinvigoration of the social economy and the emergence of modern CED, while borrowing philosophies and models from the older movements, is a response to the crisis in the Fordist system and its impacts on particular places (Amin et al, 2002; Filion, 1998). As Shragge (1997) states: "CED, is, more than anything else, a response to the failure of our advanced capitalist system to meet the basic needs of an increasingly large part of the population through the market, supplemented by Welfare State provisions." Thus the contemporary context of CED is set within a globalizing economy dominated by multinational corporations and changing state policy that emphasizes individual self-reliance rather than state sponsored social benefits.

The need for CED arises out of a need for development in specific places, through the depletion of particular localities and communities. It is the result of people who wish to develop their own localities and communities rather than move to more prosperous areas. It is in depleted communities where CED takes root. As more depleted communities are created, the need for CED grows. Thus the growing prominence of CED can be, at least partially, linked to the growing incidence of depleted communities.

Defining CED

The term CED has been applied to numerous initiatives with different historical and philosophical backgrounds. The multiple approaches to, and the differing goals of CED have created a variety of ways of defining and classifying CED. Coming up with a single definition has proven difficult. MacIntyre, (1998) goes as far as to say that energy directed towards defining CED is taking away from the more important matters of getting on with doing CED and investigating effective CED organizations. deRoche (1998), in much the same sentiment, denounces any ability to define a topic like CED, which is "'socially constructed' and 'emergent'", and thus states that CED is whatever is done in its name. This is the practical approach to defining CED taken by

practitioners. For academic research into CED, however, a tighter definition and taxonomy of CED is needed. On the other hand, however, MacIntyre and deRoche's arguments have a point that must be considered. CED is an issue of practice not an economic discipline. It is developed and played out on the ground in local communities. Defining CED, therefore, must look at the practice of CED as well as the academic literature.

Defining CED within the academic literature is problematic because of the many approaches and views on CED. In many cases there is little differentiation between CED, endogenous development and local development. Compare these definitions:

*Endogenous development...*is the idea that development will be more successful and sustainable if it (I) starts from a base of local resources and (II) involves popular participation in the design and implementation of development action.

Ray (1999), emphasis added

Local economic development refers to the process in which local governments or community-based organizations engage to stimulate or maintain business activity and/or employment. The principle goal of local economic development is to develop local employment opportunity in sectors that improve the community using existing human, natural, and institutional resources.

Blakely (1989), emphasis added

Community economic development is the improvement of job prospects, income and other aspects of the economy not only for our populations, but by these very populations themselves.

Economic Council of Canada (1990), emphasis added

All the definitions stress the use of local resources and local decision making in the development process. In light of these definitions the problem separating definitions of area-based development strategies are clear. As Fontan (1993) critiques, however, the definitions above are "based on the idea that a community is a homogenous whole

where the wealth generated by some has a ripple effect on all of the people and institutions of the community.” With this definition of CED, there is little difference from the CED and mainstream approaches to development. Other authors distinguish CED from other terms by adding further detail and qualifications to the terminology.

A focus on social as well as economic goals is one component of CED that many authors suggest separates it from local and endogenous development. For instance Douglas (1989) states that “community-based economic development is a collective of local interests in action with socio-economic goals as the driving force.” While economy is acknowledged as a key component of CED practice, as Wismer and Pell (1981) note, “the goals of CED are never solely economic.” Thus, CED is different from local and endogenous development because it focuses on more than just businesses and jobs; it integrates social goals into these interests. That is, CED is concerned with the quality of development as well as the quantity.

Some authors also include specific notions of community ownership and participation in the definition of CED. For local economic development, the community is simply the location of development. For endogenous development the locality is both the location and the actor in development. CED shares these attributes as indicated by Douglas (1994) “CED involves purposeful intervention by the community (or its representatives) in selected aspects of the community's economy for the community's welfare.” However, CED goes one step further to claim that the community must also take ownership and control over the local development. Wismer and Pell (1981) for instance specify that communities must gain local control to achieve self reliance. MacLeod (1984) includes control as central component in his perception of CED as “a cooperative attempt by local people to take control of the socioeconomic destiny of the community.” Douglas (1994, emphasis in original) argues, “ultimately, community economic development is about *control, power and choice*.”

Not only is control over the local development process key to CED but some argue that development must be defined by the communities themselves. For instance MacFarlane (1993) states that CED “starts with a community's own definition of their economic problems and seeks to tackle these through initiatives that make sense to this community.” The democratic control of institutions that enables visioning and planning to occur locally is often cited as a key component to the CED approach (MacLeod, 1986; Bruyn, 1987; Wismer and Pell 1981). Thus we see that CED is a very bottom up

approach that is defined, owned, controlled and is much broader in scope than many traditional forms of development.

While the authors presented have attempted to distance CED from other forms of development, others have tried to create categories of CED which can handle the numerous and conflicting definitions of CED. Boothroyd and Davis (1993) for instance present a typology for CED, distinguishing three forms of CED based on what word the emphasis is placed on. Community *ECONOMIC* development (cEd) is seen as the promotion of employment and business within the confines of a location, the community. It is the form of CED most based in the mainstream economy. With the emphasis on development, however, community economic *DEVELOPMENT* (ceD) denotes a concern with the quality of the local economy rather than growth. Sustainable development is a key goal for this type of CED. Dependency on outside resources is reduced as the local economy is restructured. Finally, *COMMUNITY* economic development (Ced) focuses on developing an economy that strengthens 'community' by considering how wealth is used and distributed. Not only is the goal to restructure the economy to make the community more independent and own its resources (as in the previous category), but the re-structuring should support and strengthen the community as a social place as well as an economic space. While the authors agree that the three categories are not mutually exclusive, they find that the final definition, *COMMUNITY* economic development, has perhaps the most unique features. "Ced's importance – and perhaps its ultimate power – is in highlighting a side of humanity that the market has still not obliterated and in offering some practical suggestions for nonmarket-based social organization (Boothroyd and Davis, 1993).

Despite this variety of definitions of CED, Brodhead and Lamontagne (1994) point out that there is "considerable agreement that CED approaches share many similar characteristics which imply a set of values differing from those traditionally brought to bear in development policies and programs." These shared characteristics are summarized by Boothroyd and Davis (1993): "However CED is practiced, the general objective is the same: to take some measure of control of the local economy back from the market and the state."

From the discussion above, there seems to be two forms of CED distinguished by whether or how much they work with (cEd) or against (ceD, Ced) the mainstream. Fontan (1993) most clearly makes this distinction, dividing CED between liberal and

progressive camps. Liberal CED is designed “simply to generate local entrepreneurship and some economic growth.” Progressive CED on the other hand is “designed to change the approach to development in order to bring about a vital equitable, safe, quality socioeconomic environment that fosters the empowerment of the individual and the community.”

Haughton (1999) also makes this distinction using the terms ‘mainstream’ and ‘localist’ to describe liberal and progressive CED respectively. Mainstream CED attempts to link by-passed communities to the mainstream while localist CED attempts to construct an alternative economy which challenges the values of global capitalism. Lewis (1994) similarly divides CED into two schools of thought. The first sees CED as a method for local people to realize substantial economic growth and focuses on employment and business development. The second sees CED as a means of empowering the poor and disadvantaged. It seeks to change the structure of the community and give control of the economy to local people. Thus, in contrast with the first approach, this approach focuses on social rather than economic goals.

Thus liberal or mainstream CED is associated with 'local development' where the community is seen solely as the location where economic development - employment and business starts - occurs and is linked by most authors to top-down government programs. This is a trickle-down perspective where wealth creation in a region benefits all who live within the region. This form of CED is a strategy that looks for localized solutions to problems of inequality. That is, it assumes that addressing economic social concerns is best done at the local level. Locality is stressed in liberal CED because it is seen as economically and politically more feasible than the big Welfare State programs of the past.

Progressive or localist CED, on the other hand, combines social and economic goals, uses alternative institutional forms and aims to gain local control and ownership of resources and institutions. This form of CED seeks to develop the local because it recognizes importance of the local, the community – or more precisely, the community recognizes its own importance and defines its own development. Fontan (1993) describes the program of progressive CED as working “towards generating wealth, but does so in and through new social relationships aimed at equity and solidarity. The difficulty lies, then, in blending the economic, political, cultural, social and institutional aspects of development projects.” Fontan (1993) cites New Dawn Enterprises in Cape



Breton as a prime example of this type of CED. Thus, it is this category of CED that is being pushed here. As will be clear in Chapter V, the New Dawn CED project is one that is equally concerned with the cultural and social as it is the economic. Indeed, New Dawn sees all of these aspects as one thing.

Community as Key Term

As the Fontan and Boothroyd and Davis critiques suggest, it is the word 'community' in CED that sets it apart from classical economic and endogenous forms of development. Fontan (1993) illustrates three meanings of the word community that permit different development interventions:

1. A Geographical base
2. A Social Base
3. A Community Base

Fontan describes the community base as "a close association between locality and a shared interest; that is, a population that shares, in a given area, a history, a sense of belonging, and that has common interests, notably regarding the socioeconomic revitalization of the community." Fontan associates the first two meanings of community as being associated with 'local development' rather than 'community economic development'. Indeed, Fontan's three meanings of community match with Boothroyd and Davis' three forms of CED (cEd, ceD and Ced, respectively) of which only the last can be considered progressive CED.

This last definition of community and the progressive form of CED most closely reflects the definition of community developed in the previous chapter (see page 69). It emphasizes the social construction of community through social relationships. Community in this sense is meaningful because the people in community *feel* it is important. The importance of social relationships to a community identity and thus for successful CED is highlighted by MacLeod:

The basis... is a group of citizens living in a certain *community*, a word which implies that residents share the view that their destinies are linked together. Whether this solidarity comes from a common tradition, a common enemy, or a common problem, it creates the possibility of working together.

And further...

It takes time, even generations, for a community to establish relationships and to build an identity. People are not interchangeable parts which can function just as well in another location. We must accord prime importance to social context to appreciate what constitutes appropriate development.

MacLeod, 1986 (original emphasis)

Progressive growth interprets 'community' as much more than simply the scale of the development unit. Progressive CED attempts to integrate social concerns with economic. Community, for progressive CED, is infused with social values based on cultural-territorial identities. This understanding suggests alternative forms of growth which focus on the social nature of economy. The challenge of development is to find a model which serves people, not one which people serve (MacLeod et al., 1996). The progressive definition of CED is therefore, in my opinion, the better definition of CED as it is in accord with the self-determination and social basis of community as defined in the last chapter. Liberal CED, by contrast, is undifferentiated from local economic development (LED). The 'community' in CED must be the differentiating factor in the definition. Thus, I would prefer to use the progressive definition of CED where there is an alternative, community-based approach to development.

The goal of progressive CED therefore is not limited to job or business development, but to developing institutions within the community that strengthen all aspects of the community. As Houghton (1999) writes, 'CED is about building up the economic and social asset base of a community, in terms of the ability of individuals to take greater control over their lives and interact more positively with other individuals and organizations.' Perry (2001a) describes the goal of CED more practically and succinctly as "the creation of more powerful institutional levers, or in short, improved community tools." Thus the CED project is one of building appropriate institutions for the development of the whole community. The aim of creating non-mainstream institutions is inherent in Swack and Mason's description of CED:

"As an intervention strategy in an underdeveloped community it does not seek to make existing conditions in

the community more bearable. Instead, community economic development seeks to change the structure of the community and build permanent institutions within a community."

Swack and Mason (1987)

Thus CED intervention practices should include tools that are not focused solely on the economic. Perry (2001a) states that "CED will involve a comprehensive wide-ranging program of activities for the overall improvement of the locality as a place to live and work." Thus we would expect CED to create a number of different institutional tools to intervene in different aspects of the community.

In this review of the definitions of CED we have looked at a number of characteristics of CED: community ownership and control, democratic organization, and alternative institutional building as central to progressive forms of CED. Fontan (1993) in his review of the CED literature comes up with this final definition of CED, which sums up the arguments made above.

Community economic development is a comprehensive multi-faceted strategy for the revitalization of marginalized or distressed communities. Through the development of resources and alliances, organizations and institutions that are democratically controlled by the community are put in place. They mobilize local resources (people, finances, technical expertise and real property) in partnership with resources from outside the community for the purpose of empowering community members to create and manage new and expanded socio-economic tools (business, specialized institutions and organizations, skills, and practices.

Fontan (1993)

The Social Economy and Community Economic Development

Now that we have defined CED it is useful to place it within the broader framework of the social economy. The purpose here is to see how CED is set within a broader vision of the economy. Above we have conceived of CED as an alternative development practice and have identified within it elements of local ownership, democratic organization, and equity. However, as Nederveen Pieterse (1998) argues, these are aspirations of development, not modes of development. If CED wishes to become a form of alternative development, distinct from the mainstream, it must redefine development in a novel system and approach to economy. The social economy, for some, represents one such alternative conception of development. CED is a key component of the social economy.

Definition and History

As with CED, defining the social economy is a contested practice in the literature. Shragge and Fontan (2000) argue that the whole field of social economy is in flux both in theory and in practice. They find a wide usage of the term and no one definition in the literature while in practice the recent period of rapid social and economic change in many countries has altered the context and the way in which social economy is practiced on the ground.

In the literature definitions are based on different criteria: organizational form; purpose and logic; citizenship and solidarity; practice (rejection of profit maximization) (see Shragge and Fontan, 2000). Shragge and Fontan are vague in their description of social economy in order to combine these multiple meanings, describing the social economy as being controlled “neither by the state or the private sector and can play social and/or economic roles.” Amin et al (2002), however, focus on the economic role, “The social economy ... marks economic activity (traded and non-traded) with a social remit.”

In practice, social economy is divided between pragmatic-reformists and utopian views (Shragge and Fontan, 2000). The focus for reformist social economy, they argue, is in ameliorating specific problems rather than changing the social order. Utopian social economy, however, seeks to alter the social order by decentralising power. This

division is similar to the division between progressive and liberal CED, and accordingly the social change approach will be adopted here.

Ninacs (2002) sees a different division between approaches to social economy distinguishing between the *old* and *new* social economy. Old social economy focuses on the cooperative form of alternative business. It is seen as 'another way to do business' and stresses people before capital. Organizational structure, in terms of democracy and benefits, is a central concern. New social economy, by contrast, takes a broader view which looks at values, objectives, associative structures, economic activity and players as well as structures. It moves beyond the legal status of the organization and looks at both social innovations (new stakeholders, new organizational forms, new fields of activity, new internal and external dynamics) and economic innovations (new production techniques and new markets).

Ninacs' categories imply a historical break in the models of social economy. The older form of social economy focused on organizational structure and was mostly involved in the cooperative movement. Shragge and Fontan (2000), however, see this focus on cooperatives in social economy is a result of historical contingency whereby earlier radical forms of social economy (radical Marxism, anarchy, etc.) in the 19th century gradually disappeared with the growth of the formal economy and its associated social benefits in the 20th century. The more moderate social economy of the time was absorbed by the mainstream through trade unions and labour politics that adapted reformist programs. Co-operatives were the only organizations left which could be classified as social economy. From the Second World War on, report Shragge and Fontan, social economy remained at the margins both in terms of practice and as a concept.²¹

Social economy regained significance in the 1970s and 80s with the crisis in work whereby there was growing permanent unemployment in many capitalist economies, and the collapse of the welfare state to take care of the growing unemployed (Shragge and Fontan, 2000). With the reinvigoration of social economy during this time it began to broaden its scope beyond the co-operative framework, incorporating the elements described in Ninacs' new social economy and taking on a renewed social change approach as described by Shragge and Fontan.

²¹ It is during this period, however, that Mondragon was formed and grew. It is interesting to note though that the 'Mondragon model' was not 'discovered' in Anglophone literature until the mid 1970s.

Characteristics

The social economy, therefore, "implies a basic reorientation of the whole economy and related social institutions" (Shragge, 1993). The key component of social economics is making people the focus of the system. Daly and Cobb (1994), for instance state that "Community [or social] economics is about making people and communities the centre of economics, the goal of economics. This is a reverse of capitalistic economics which privileges the market over people, making people a slave to the market."

O'Boyle (1994) in a paper on the philosophical base of social economy, describes social economics as primarily based on human need. O'Boyle differentiates between a need - 'a requirement for human existence that derives ... from the materiality of human nature' and a want - 'a thing that is desired whether it is materially needed or not.' Mainstream economics, criticizes O'Boyle, has turned needs into wants, ignoring the value laden claims of needs: "Neoclassical economics simply does not affirm the person of others in need and the moral claim on economic resources that derives from that claim." With the individualistic model of humanity held by mainstream economics, there is no recognition of the social responsibility of the individual.

Mainstream economics is limited in its conception of the person as an atomistic individual as characterized by economic man: a rational competitive maximizer. Social economics, O'Boyle contends, recognizes both the individuality and the social nature of people. It also prioritizes needs over wants. Thus social economics is committed to meeting the needs of people as individuals and as social groups. Daly and Cobb (1994) criticize contemporary economics which they feel serves itself as a discipline, becoming ever more abstracted from reality. They call for a shift from economics as 'crematistics' - maximization of short term gain - to 'oikonomia' - management aimed at increasing the use value for the community over the long run. Thus they stress the need for an 'economics for community' which is based on a view of a 'person-in-community' rather than individualism and where wealth is measured by the satisfaction of concrete needs. O'Boyle (1994) thus concludes that, "for social economics, the final cause is meeting human material need."

Social economics recognizes the variety of human needs by including a broader perspective on how needs are valued. Fasenfest et al. (1997) consider the concept of

value to be a core component of the social economic paradigm. The market paradigm, they argue, can only deal in monetized values. Real values which cannot be priced are difficult to handle (e.g., raising children, caring for family, etc.). The social economic paradigm, however, recognizes all real values, some of which are monetized and some of which aren't. Furthermore, the social economic paradigm accounts for non-monetary values that are part of monetized production such as the benefit of local cultures and social capital to production. Fasenfest et al. (1997) further argue that the market is blind to the fact that monetized value production comes at the expense of non-monetized value production. That there is a trade-off between paid work and socially valuable but non-paid work. The social economy values needs that are both monetized and non-monetized.

Meeting needs as a goal has implications for the development of social economic institutions. Daly and Cobb (1994) argue for building governance and social institutions at the lowest level possible. Economic and political power must be balanced at each level, thus a global society must develop democratic institutions at all levels. Quarter (1992), focusing on economic institutions identifies a number of criteria for the social economy including the primacy of social objectives over strictly commercial ones, social ownership of business assets and democratic control over economic organizations.

Democratic functioning is a key concept in social economy. In particular, social economy attempts to bring democracy into the realm of economy as well as governance. Recognizing the variety in forms of social economy and alternative definitions of democracy, however, Fontan and Shragge (2000) reflect that the "social economy is more of a zone in which there is democratic experimentation rather than a place in which a strong, permanent, successful democratic tradition has been established."

Social economy is defined by the priority it places on people over assets. Meeting human need is the purpose of social economics. This priority is usually understood to be reflected in democratic structures. Within the social economy are a number of structures which are understood to be part of its domain: cooperatives, community businesses, credit unions and other non-profit organizations. The social economy however is not limited to micro-economic institutions but "proposes the building of a wider cultural framework devoted to the elimination of social divisions built through the control of the wealth and power" (Shragge and Fontan, 2000). The priority of the person thus should

become a part of the economy at all levels. Thus the social economy includes a social visioning component as well as local economic institutional tools.

CED's role in the social economy

From this understanding of the social economy as both a practice of micro-economic institutions and a social vision it is clear that CED places prominently within the social economy. Ninacs (2002) for instance, claims that CED is vital to social economy because "a key feature of the new social economy is local commitment and management that ensures co-ordination between different sectors and authorities. This favours strategic planning, including the development of social economy initiatives and a focus on both social and economic objectives, to ensure that projects are truly grounded in local priorities and needs." CED is thus part of the local practice of the social economy. It is involved with the redistribution of wealth and power at the local level.

Local Responsibility

CED is primarily involved with the local economy and the local development of institutions which prioritize people and incorporate democratic structures. CED grows out of distressed communities; it is controlled by local people and thus has the community as its first responsibility. As discussed above, CED is based in communities. The goal of CED is not profit but to maintain, build, or strengthen the local community as a meaningful place of identity. The priority that CED and the social economy places on people over profit, together with the understanding of people as social beings, as people-in-community (Daly and Cobb, 1994), rather than atomistic individuals, commits CED to specific communities. That is CED is, first and foremost, committed to increasing the well being of networks of place-centered people who share a common self reference as a community; or simply: CED must be place rooted.

Wealth generation

However, wealth creation is still part of CED; economic development remains an important part of CED. The difference between CED and mainstream economic development is twofold. First, by how wealth is defined and measured and second by who benefits from that wealth, society or individuals. CED holds to a broader view of

wealth which includes non-monetized as well as monetized measurements of wealth based on the meeting of real needs in the community.

CED also holds that there are numerous claims on wealth created in the community beyond the usual understandings of shareholders and ownership. Technology, innovation and knowledge is socially produced and embedded. New ideas and technology are based upon hundreds of years of scientific development and public support of scientific research. The wider society which supports these initiatives have a claim on ownership and therefore of part of the wealth creation of discovery (see Leadbeater, 1999). CED therefore does seek to create wealth through business and engaging the market, and thus must be economically viable, but also claims that the wealth created is owned by a wider group of people. Community Economics recognizes broader shareholders, the community and society at large as an 'owner' of business assets and is thus entitled to the profits.

As it is concerned with wealth creation, business development is a key component of CED. For instance, Perry (2001a) states that "CED always includes some type of business development activity." Lewis (1997) in quoting an un-acknowledged Canadian CED practitioner, highlighted the business focus of CED: "CED is a strategy by which people meet social goals through business means." Thus, CED is distinguishable from other areas of the social economy which is concerned purely with charity work.

Vision

Fitting CED into the social economy paradigm has the benefit of rooting it in a broader discourse than the specific problems of the community. That is, the social economy provides a context and a broader vision for CED. In terms of progressive CED, which is an attempt to change the social-economic system of the community, this wider vision is required. Without a broader vision CED is limited to solving specific problems of the community and has no life beyond the solution of the problem. CED, however, as a movement for a different kind of economy rather than simply a patched-up local economy, requires a broader vision to carry it forth. As Shragge (1997) indicates, "practice that promotes social change has to live in a tension between its engagement in the complexities of the community sector, and a longer-term social vision."

Thus, there are three components of CED that we want to stress here. First that CED is rooted to a particular locality, the community within which it operates. Second, that CED is involved in wealth creation. Wealth, however, is interpreted on the basis of quality of life for the community. Furthermore, the wealth created is distributed to a wider number of stakeholders, to the community as a whole. Finally CED has a broader vision for social change which guides its long-term project as well as informing its short-term practices. This vision is based on a priority of people over capital. It advocates for local control and participation.

Thus in addition to and in an attempt to refine the definition of CED reached earlier, I'd like to stress these three components as critical parts of CED. CED is the generation of wealth which is rooted in a specific community and which subscribes to a social vision which makes claims on how that wealth is owned and distributed.

CED and the Depleted Community: Limitations and Potential

So far we have defined CED and reviewed a number of its key characteristics as well as placing CED into the social economy. While we have established that CED often operates in depleted communities, we have yet to explicitly state the relationship between CED and the depleted community. In this section we will look at how CED matches with the problems of the depleted community. We will also explore the limitations of, and potential for, CED to replete these communities.

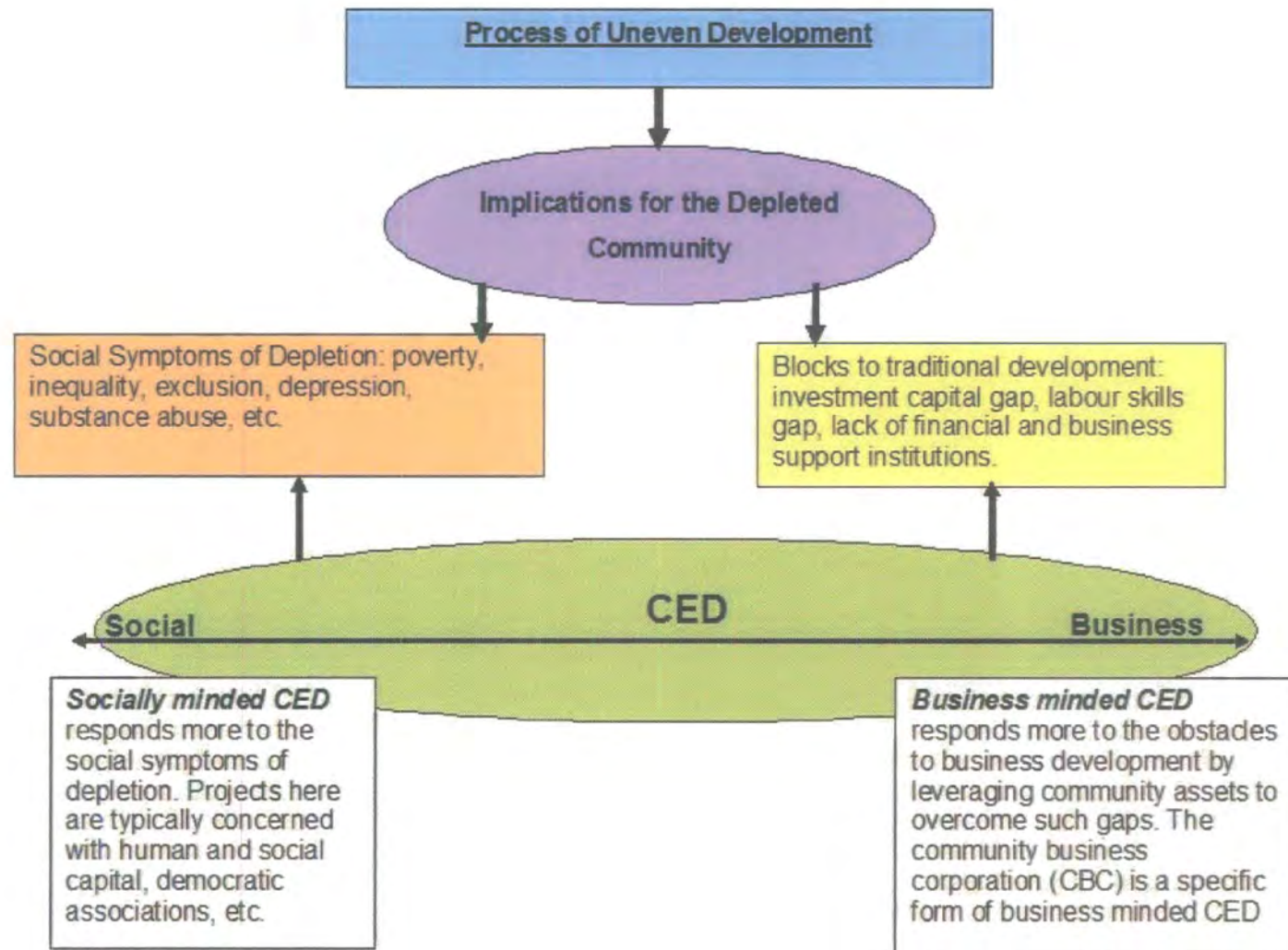
As explained in the previous chapter, depletion in a community is caused primarily by economic factors, but also entails a host of related social and environmental problems. The root problem for depleted communities, however, is the lack of economic resources to create local growth mechanisms. The traditional levers for development are lacking in depleted communities. The only resource that is available to any great extent is the attachment to place and feelings of community exhibited by local populations.

CED on the other hand, is a response to local depletion which attempts to create alternative development paths for the community. The primary lever of growth for CED is non-traditional resources within the community. Indeed CED uses the resources of 'community' as its growth mechanism. This resource is commonly understood as social capital, the networks of relationships and solidarity within a community. Thus

community for CED is not only the agent and location of development, but also its goal and the resource for development.

CED responds to depletion in numerous ways. Figure 12 shows CED's relationship with the problems of the depleted community and CED's various responses to them. The graph shows that CED can vary between more social responses, concerned with the welfare of local people and developing social capital, and more business-minded CED which focuses on wealth creation and using social capital.

Figure 12 – CED Schematic



The graph illustrates the varied nature of CED. As we have acknowledged earlier, CED is characterized by locally rooted, community-owned wealth creation. Under this understanding it is difficult to categorize purely social activities, on the left side of the scale, as CED. There are two points to be made here. First, it must be acknowledged that many CED initiatives do not limit themselves to one side of this scale or the other, they often engage in a variety of tasks which cover all areas of the scale, often using profits from business-minded CED to cover the costs of social-minded CED. Second, despite the precision we may wish to have in categorizing CED in the academic world, many practitioners use the term in widely different ways. The purpose of this graph however, is to demonstrate that CED in practice often has to deal with trade-offs between social good and economic viability.

As this research accepts that CED must create wealth and be viable in an economic sense, I am focusing the research on the right side of the scale. More specifically, I am interested in business corporations which fulfil the definition of CED developed here. That is, I am interested in businesses which are economically viable, community rooted and are committed to a vision of a social economy. Such businesses are termed community business corporations (CBCs).

MacLeod (1997) describes a community business corporation as "a class of business that is specifically set up for the purpose of improving the local community and creating jobs". Community business corporations have dual objectives of: a) viability and b) community good. Under the rubric of the CBC, an idea, no matter how socially good, will never be implemented unless it is viable, and likewise, a viable enterprise will not be pursued if it is not considered a benefit for the community.

This primary goal of serving the local good does not make claims on the type of organization. Rather, organizational structure is seen as a tool which is used to accomplish the goals of the organization, not a predetermined given. That is, the organization of a community business corporation is not rigid, but flexible and adaptable to the specific goals and environment of the community. Therefore, the CBC is not a description of an organizational structure but a definition of the purpose and values of a business corporation. CBCs can be cooperatives, non-profits, or not-for-profits. The key characteristic is that the benefits of doing business accrues to the community.

Community business corporations, as a form of CED, make a particularly good fit with the needs of the depleted community. As the problems of the depleted community are economic in nature, the response that can solve the problems, rather than simply ameliorate the symptoms of the problem, must be economic. The CBC uses the assets of community and levers them into economic benefits.

Limits

The strength of CED, and community businesses in particular, is that they make use of under-utilised resources. These are often assets which, for reasons of trust and reciprocities of social relationships, are uniquely available to CED organizations as opposed to traditional business models to which people are unlikely to 'donate' their resources. That is, community assets and social capital is not as abundantly and easily available to those who are not from the community and are not working for the community's benefit.

CED, however, still suffers severe growth limitations. CED cannot survive only on social capital. Fillion (1998) in his examination of the potential and limitations of CED enumerates a number of limitations. First is the limitation presented by the context of CED. In regions where the impetus for CED is strongest, depleted communities, there is a dearth of economic resources. Fillion describes how the depleted community can both inspire and limit CED:

"Difficult economic circumstances ... are conducive to the initiation by local actors of alternative forms of economic development, often of a CED nature, while being concomitantly responsible for a scarcity of capital, public sector support, and effective demand, which are essential ingredients to the success of CED ventures."

(Fillion, 1998)

Financial capital, for instance is a resource which many CED initiatives lack. In a depleted community, it is unlikely that CED initiatives can access large amounts of capital. Size constraints of the local market also put limitations on the growth potential

of CED initiatives. Thus, CED is often limited to small scale developments with marginal impacts.

This leads to the second limitation of CED posed by Filion: dependence on state funding. State funding of CED jeopardizes autonomy and makes CED organizations vulnerable to government cutbacks. Amin et al. (2002) find this is limitation for the social economy as a whole; "the social economy cannot be conceptualized without reference to the state or the mainstream market. It remains generally highly dependent upon the state."

Thirdly, as well as being dependent on government, CED is dependent on a citizenship active within the social economy. Thus Filion argues that "for [CED] to take root in a locality, a significant proportion of its residents must depart from mainstream consumerist tendencies." This is not likely to happen easily or quickly. Finally, Filion argues that there are limitations on the capacity of CED firms to compete successfully with mainstream firms. CED organizations, he argues, are unable to achieve flexibility and economies of scale due to constraints of community-based decision-making.

Filion's arguments identify that the local nature of CED is both its strength and its weakness. This view is shared by a number of other authors. Shragge and Fontan (2000) for instance critique of possibilities for CED in the global economy, stating that "the possibilities of a gradual social reform through ... micro-economic tools and local solutions is an illusion." Amin et al. (2002) concur that CED is often too localized to represent a wider movement. Their first key finding was that "There is no such thing as a model social enterprise or model of best practice that can be transplanted and encouraged through standardized policy interventions. ... 'Success' is a product of a range of place-specific factors that cannot be assumed to exist or be induced elsewhere." Thus Amin et al. conclude that the social economy, and by implication, CED "will never become a growth machine or an engine of job generation."

Potential

Despite these limitations, there are a number of opportunities that represent a potential for the CED movement. Filion (1998) lists a number of conditions of post-Fordism that present an opportunity for CED, a few of which will be examined here. The first opportunity is that with the crisis in the Fordist mode of production the prospects for SMEs and networks of SMEs has grown. The switch from large

standardized production facilities to systems of flexible-specialization and outsourcing as characteristics of contemporary production has increased the possibility for small community-based firms to participate in broader systems of production and circuits of capital.

Second, the collapse of the welfare state has prompted governments to shift responsibility for labour reinsertion programs and social welfare to local groups. This provides increased avenues for public funding for CED organizations.²² Furthermore, a third opportunity is that the decline of the welfare state has encouraged a self-help and community-building ideology. Therefore people are potentially more responsive to attempts to create local solutions to local problems as compared to past attitudes of deference to the national state.

Fourth, CED can gain more supporters from dismayed social activists who have redirected their energy after the state capacity and will to intervene based on the influence of social movements waned with the crisis in Fordism and the Welfare state. More popular support can be gained from increasing numbers of unemployed and the working poor who provide not only the need for, but also the resources for an alternative development movement. Filion argues that "as careerism and consumerism become out of reach for a large number of individuals, they search other values," some of which may be compatible with CED.

Filion finds that increasing disparity between the rich and poor and increasing localized depletion can present an opportunity for CED. A frail economic system is conducive to non-conforming economic behaviour. Thus a crisis in the economy can encourage experimentation in the economic sphere. Within the current economic context, Filion argues that "CED is the organizational form that is most compatible with expectations prevailing under post-Fordism." CED's strength according to Filion is based on local cultures which are "imbued with a deep attachment to the community and a powerful will to survive in the face of economic adversity." The development of a CED based form of regulation, Filion argues, would first of all depend upon a deepening and continuing of the adverse conditions of Post-Fordism, thereby giving strength to the CED movement. In this conception, thus, CED is not necessarily a

²² But note that this is a double edged sword for, as indicated in the previous section, public funding has its dangers for CED.

positive social movement, but a symptom of a broader crisis in the economy characterized by economically weak communities making a last stand (Hudson, 2003).

Filion's pessimistic 'its going to get worse before it gets any better' attitude is not shared by others (see MacLeod, 1986, 1998; Perry, 1987; Galaway and Hudson, 1994). They do not, however, offer over-optimistic possibilities. The potential for CED is based on the possibility of overcoming the over-localization of CED. Although generally pessimistic Amin et al. (2002) argue that CED and the social economy "might transcend its current limits if the links between the social economy as a 'localised' solution to the problem of 'local' social exclusion could be broken."

Getting beyond its local limits requires CED to develop and share in a broader vision. Shragge (1997) for instance argues that 'for CED to become a force for social and economic change ... the CED project needs a strong sense of itself as a political, social and economic organization with a clear vision of its goals and practice.' Thus the potential for the advancement of CED beyond localized successes is based on its ability to link up localities and create a shared vision of itself across such localities.

Conclusion

In this chapter we have drilled through the literature on CED and have uncovered a number of key points. CED was found to have a number of divergent uses. With respect to the depleted community, however, the progressive form of CED offered advantages over the liberal form of CED in that it identified non-traditional routes out of depletion. The progressive form of CED also fits into the notion of the social economy in that it subscribes to a wider social vision for the economy rather than simply micro solutions to particular localized problems. That is, progressive CED purports to challenge the very causes of uneven development and the production of depleted communities.

In particular the chapter has highlighted the rooting of economic activity (wealth creation) in particular communities and based on social and communitarian values as the key components of CED. Furthermore, we have examined how such a community business approach to progressive CED is a fitting response to the plight of the depleted community. In so much as community businesses focuses on the economic and business needs of depleted communities they addresses the root causes of depletion. Thus, community business corporations, businesses rooted to and owned by the community,

are critical components of CED. The focus of this research project, therefore, is to look at the functioning of specific community businesses and examine: how they are formed; what are their visions for the social economy; and how they conceive of and respond to the needs and limitations of doing economic activity in the depleted community. This will be accomplished by comparing two networks of community businesses. The first in Mondragon, Spain is widely acknowledged as the most successful CED experiment in the world. The second is the network of CED initiatives based in Cape Breton, Canada. The central organization in this case, New Dawn Enterprises, is the oldest community development corporation in Canada.

CHAPTER III: METHODOLOGY

The Return

Alistair MacLeod

It is an evening during the summer that I am ten years old and I am on a train with my parents as it rushes toward the end of eastern Nova Scotia. "You'll be able to see it any minute now, Alex," says my father excitedly, "look out the window, any minute now."

"There it is," shouts my father triumphantly. "Look, Alex, there's Cape Breton!" He takes his left hand down from the baggage rack and points across us to the blueness that is the Strait of Canso, with the gulls hanging almost stationary above the tiny fishing boats and the dark green of the spruce and fir mountains rising out of the water and trailing wisps of mist about them like discarded ribbons hanging about a newly opened package.

The train lurches and he almost loses his balance and quickly has to replace his hand on the baggage rack. He is squeezing my right hand so hard he is hurting me and I can feel my fingers going numb within his grip. I would like to mention it but I do not know how to do so politely and I know he does not mean to cause me pain.

Excerpt from MacLeod's short story 'The Return' (MacLeod, 2000).

Introduction

The previous chapters have outlined the theoretical setting of this thesis. They have set the context in which this research has been conducted and have situated the research questions within a particular set of literatures. This chapter will explicitly state the research project and review the process of the research. Thus the purpose of the methodology chapter is twofold. First it is to focus the research onto one particular set of questions. Secondly, it is to examine the process by which the conclusions were arrived at. In this respect the methodology is important as the process of gathering the knowledge is sometimes as important as the knowledge itself. Thus we can see how the particular process that was chosen has created certain interpretations and influenced the conclusions which were reached.

The chapter will begin with a review of how the research topic was chosen. Here I will discuss my personal history with the research topic. It will then explore the research aims and objectives and the specific methods used in conducting the fieldwork. I will look at how the information that was gathered during the fieldwork was handled and analyzed and how this process affected the research outcome. Finally, because of my relationship with my research topic as well as the case study location, issues of positionality will also be discussed. I will argue that, while there are certain challenges that have to be met and certain cautions that need to be taken in doing research in one's own community, there are certain benefits in terms of access and the candour of participants.

Choice of Research Topic

As related in the prologue to the thesis, the choice of research topic is very much a product of my experience in my place. It is an outcome of the experience of living in a depleted community and feeling the injustices of an economy which forces friends and family to leave a place where they wish to stay. Thus because of my experience growing up in a depleted community, traditional explanations of the 'naturalness' of the economy were unsatisfying. The explanation that in order to find work I would have to leave was unacceptable.

Furthermore, the Cape Breton experience also taught other lessons. For over forty years, Cape Breton has been subject to numerous failed development projects. All of

these programs were centrally controlled and developed. They were all firmly rooted in the existing social economic paradigm. They mostly failed. Thus one learned that traditional or mainstream development methods would not work in Cape Breton.

Thus during my undergraduate years as a business student, I was looking for other ways in which economic development could occur. This led to an interest in small and medium-sized enterprises (SMEs) and entrepreneurship. These studies held interest and potential in terms of economic development, but still faced numerous challenges for development in the Cape Breton economy (see Johnstone and Lionais, 1999, 2000).

A real alternative was introduced to me through my introduction to one individual: Greg MacLeod. MacLeod was the founder of New Dawn Enterprises, the organization which is the centre of this study. My first time meeting MacLeod was as a guest lecture in an organizational behaviour course during my undergraduate studies. My classmates and I were puzzled as to why a philosophy professor was lecturing a group of hard-nosed business students. At the end of the lecture most of the class, myself included, were convinced that the lecturer was crazy and that the lecture was irrelevant to our business studies. Ethics, we felt, had little impact on what we assumed were rational and objective business decisions.

After graduation, however, I was to be introduced to MacLeod again. In my attempts to start a tourism business in Cape Breton²³, a professor from the university who was supporting my efforts gave my name to MacLeod. MacLeod, I then found, was an astute businessman and was willing to help make the connections I needed to make for my business. He also shared my vision of a tourism project that celebrated local culture rather than turning it into a Mickey Mouse parody of itself. MacLeod was eager to help support my business and it was in this period when MacLeod introduced me to the community business concept. In order to provide an income while I was working on my business, MacLeod offered contracts to work on numerous other projects he was working on. In this way I was 'invited in' and my education of community business began.

After the business failed to take off, I began looking for an opportunity to return to school. In looking for a research topic I was very much interested in working in the area of community business and community economic development. It was clear that much

²³ The business, Cabot Experiences, developed a product of cultural learning vacations where customers would participate in the culture along with residents rather than observe the culture as spectacle.

of what was being done, although based in a set of values, was reactionary; there was very little understanding of how these organizations actually worked and how well they were doing. New Dawn was the oldest and most successful project of MacLeod's and although there was some descriptive writing done on the organization, there were scant few critical studies of how the organization functioned (see however MacSween, 1995; Mason, 1991 and Reed, 1999, 2002). As described by my mentor and colleague at University College of Cape Breton, Harvey Johnstone, our project is to 'put in theory what Greg (MacLeod) does in practice'. Thus a project was carved out that would look at New Dawn Enterprises to examine how it functioned within the social-economic context of Cape Breton.

Research Aims and Objectives

This research project emerged out of a particular experience which I wished to explore and understand better. It did not start with a problem to be solved but rather an issue to be explored. Thus the project did not begin with a research question to which an answer was sought. Indeed, this research project is not looking for answers but for explanations and, ultimately, it intends to identify questions which merit further research. Thus the research often appeared unfocused. Throughout the fieldwork period, the issues being explored and the direction of the research were in constant flux. In approaching the research I deliberately cast a wide net, looking for what seemed to be the best 'catches' once the information was collected. Thus the approach to the research could be classified as a grounded theory approach (Glaser, 1992). While this resulted in much more information than was needed for the purposes of the thesis, it also suggested areas that may prove valuable for further research. Furthermore, in sifting through the information so gathered and in focusing the topics of the interviews conducted, I did use some guides to direct my inquiries. Thus we can state the following research aim and objectives.

Research Aim

To explore how business can emerge and survive given the social, cultural and economic context of the depleted community, and particularly to ways in which business can be responsible and responsive in supporting the social-cultural character of the community.

Objectives

1. To explore the historical development of community business and the processes through which they emerge.
2. To explore how the community businesses relate to the community.
3. To explore how the social vision of community business is maintained over time.
4. To determine the effectiveness of community businesses within depleted communities.

Methodology

Research Methodology

Methodology in research must stem from the theoretical framework of the research. As Hughes (1990) indicates, “research instruments and methods cannot be divorced from theory; as research tools they operate only within a given set of assumptions about the nature of society, the nature of human beings, the relationship between the two and how they may be known.” Thus methodology must reflect the epistemological perspective we have taken.

The community, as a cultural-territorial identity, is based on multiple and overlapping social relationships imbued with meaning and which are localized in a particular place. Community businesses must operate in these geographies, and further, purport to be more responsive and respectful of such social relationships. The complex nature of community businesses requires a flexible, contextually related and holistic approach to inquiry. Hughes (1990) broadly describes this approach as ‘humanistic’ and ‘interpretative’.

Bryman (1988) divides social science methodology into two classes: quantitative and qualitative. The qualitative approach “seeks to describe and analyse the culture and behaviour of humans and their groups from the point of view of those being studied” (Bryman, 1988). As the aim of this research is to explore the emergence of community businesses within specific types of geographies – the depleted community – the qualitative approach seems appropriate. The research will be focused on relationships

between actors in community business and between community business and the community which it operates in.

To the extent that the primary research will be concerned mainly with social relations, the methodological approach will be qualitative. However, there are several instances, particularly in document reviews and statistical analysis, where a more quantitative approach will be called for. For instance, the economic analysis of Cape Breton which appeared in the prologue required a more quantitative approach. Thus, while mainly qualitative in approach, the methodology will also include quantitative elements.

Methods

There are a number of research strategies available to the social scientist such as experiments, surveys, histories, document analysis and case studies. The appropriate research strategy is dependent on three factors: (1) the type of research question, (2) the control of the investigator over actual events, and (3) the temporal focus of the study (contemporary or historical) (Yin, 1984).

When examining the possible research methods for this research, several could be eliminated quite easily. The experimental method is not appropriate for this research because there is no control over the units of study. The survey method does not fit with the research question because of the limited amount and structured nature of data that can be collected. The history and document analysis approaches are both appropriate to the study, but on their own are insufficient. They are lacking a contemporary focus. The case study approach, however, uses these tools with additional tools such as interviewing and observation that focus the research in the present context.

Case studies, Yin argues, are most appropriate for studies in which the research question is explanatory (a 'why' or 'how' question), concerns contemporary events and in which the researcher has little or no control. In this research program the questions being asked were explanatory; the goal was to explain the emergence and functioning of community businesses. The study concerned both contemporary and historical events and there was no control over the research subject. Under this rationale, the case study method best fit the goals of this research and was used as the research method.

Case Selection

As discussed above, the selection of my case study was in effect a precursor to the planning of the research project. New Dawn Enterprises interested me prior to defining the research project and beginning this doctoral thesis. In fact, it was the wish to study New Dawn that prompted the application for doctoral studies. In this sense, the research project was built around the case study selection. The purpose of the thesis was to explore issues around New Dawn rather than to use New Dawn to explore pre-defined issues. Thus the research project emerged directly out of the case study and the continuous interpretation of the information that came out of New Dawn; a process that began even before the doctoral studies began.

Besides being the inspiration for the thesis, however, New Dawn did have some more 'objective' advantages for the research topic. New Dawn is the oldest community development corporation in Canada, and is often recognized as being the most advanced and successful in Canada. Thus, there were advantages to depth and history of the case for the purposes of the research. Furthermore, as I had previous contacts with the organization and many of the individuals involved with it, there were advantages of access to information. Thus, I would not have to spend a lot of time during the thesis building relationships and trust with participants. Those elements already existed. Even when making contact with individual with whom I had no previous contact, my reputation in the community and my relationships with other members of the organization would precede me and allow people to feel comfortable and 'safe' in discussing the issues with me.

As well as the New Dawn case, it was felt that a comparative case would also be helpful. As with New Dawn, this second case did not have to be 'sought out', but was rather presented as 'obvious' and appropriate, based on my experience with New Dawn. The second case, the Mondragon Cooperative Corporation (MCC) in Spain, was selected for a number of reasons. First, it is a model that Greg MacLeod, New Dawn's founder, has spent much time studying and often makes a comparison between it and New Dawn. Furthermore, it is a case which many people within New Dawn are aware of and from which they draw much influence. For instance, a number of years ago, a study group from Cape Breton, lead by MacLeod, went to Mondragon to study the system that existed there. A number of individuals from New Dawn, including the current president, were a part of that study trip. Mondragon is also considered by many

to be the most successful example of community economic development in the world. Thus, Mondragon also serves to represent the potential for community businesses. The Mondragon case was studied almost entirely from secondary sources (although see below) as there was ample literature to draw from and limitations on research costs and time.

Case studies incorporate a variety of measurement tools including direct and participant observation, semi-structured and open interviews, and document and archive analysis. This variety of sources and tools is ideal for investigating the emergence of community business and building a theory around the process. The variety of tools insured a robust analysis, as triangulation of data was possible with multiple research tools. The specific research tools used are explored in more detail below. In employing each of these tools, however, it is important to note that a research journal was kept throughout the research process which was used to jot down ideas and keep track of my research activities throughout the process. These research journals provided a means to integrate the information from the different information sources as well as providing an account of the history of the research project.

Document analysis

A wide range of documentation and literature was sought on the case studies. As Mondragon was studied almost purely through secondary sources, it was important to build a large source of material to draw on. For Mondragon, much of the documentation came from English language literature based on studies of the Mondragon model. Although Mondragon was started in the mid 1950s, the English language literature on Mondragon doesn't begin until the mid 1970s, when Mondragon was 'discovered' by English speaking academics. Thus, much of the historical accounts of Mondragon were written at least twenty years after its establishment. There is a rich amount of literature on Mondragon, however, with well over sixty citations found.

To complement these academic resources, I also sought out a number of formal documents from the Mondragon Cooperative Corporation (MCC). Thus, annual reports, statements of principles and other formal documents from Mondragon were sourced. Included in this set of documentation were reports from Mondragon's newsletter (Trabajo y Union) which were translated from Spanish when required. I was also able to

source unpublished internal documents from Mondragon through contacts made within the organization. These documents also were translated from Spanish.²⁴

In the New Dawn case I had access to a much wider selection of documents. The literature on New Dawn is much less than that on Mondragon, with just over a dozen references. This lack of writing in the literature, however, was offset by a depth of formal and informal documents available from the organization. In this respect I was able to access formal documents such as the original proposal, early reports to the funding agency, as well as annual reports and board of directors' meeting reports. Such documents were invaluable in providing a chronology of the thinking behind the organization as well as a detailed history of its development. Furthermore, I had access to the private notes of Greg MacLeod from the early days of New Dawn's development, which are on file at the Beaton Institute, University College of Cape Breton, along with a number of other reports on the organization. Documentation in both cases was also supplemented by 'grey' literature from newspapers and the internet.

In my search for documentation in both cases, I was particularly concerned with formal legal documents. In the New Dawn case I was able to access the memorandum of association and the articles of incorporation for the business. For Mondragon, I had a copy of the regulations of the MCC congress which regulate member cooperatives and cooperators within the system. With this information I was able to look closely at the formal regulation of the companies in each case. Thus I was able to examine how the corporations were structurally different from traditional companies, rather than just reflections of the personalities and goodwill of the people involved.

Key participant interviews

The main source of primary research was through the interviewing process. The interviewing process followed three phases (see Appendix I). In each phase the interviews were recorded for transcription and notes were taken during the interview. During my first fieldwork period in the summer and fall of 2001, I conducted a number of pilot interviews. Two interviews were conducted with Greg MacLeod, founder of

²⁴ There were several steps to the translation process. First, I would read through the documents and using my rudimentary understanding of Spanish, find the articles and/or sections which contained information pertinent to the thesis. Any passages that were identified as useful were then given to a Spanish speaker for translation into English. Finally, any passages that were being used as primary sources of information within the text, or were being used as quotes, were passed to a second Spanish speaker for a second translation and then crosschecked with the original translation.

New Dawn; and one was conducted with Rankin MacSween, President of New Dawn. These pilot interviews were open ended and were used to explore what MacLeod and MacSween felt were some of the important issues surrounding New Dawn. Numerous unrecorded informal discussions were also conducted with informants regarding New Dawn and the research project at this time.

During the following summer, the second phase of interviewing was completed. The majority of the interviews were collected in this phase. In this phase, semi structured interviews were constructed based on the issues that arose out of the pilot interviews as well as the initial analysis of the documentation and literature. These interviews were conducted with members of New Dawn's management structure including members of the board, the president, and members of the management staff. The same structure was also used in a third interview with Greg MacLeod, who no longer holds a position within the organization but maintains a relationship with New Dawn. These semi-structured interviews explored the members' thoughts on the purpose of the organization, the relationship of the organization with the community, measurements of success, and the future role of the organization. While an interview guide was used (see Appendix II), the interviews were allowed to stray off course to explore other issues. Also, as new issues were identified through the interviewing process, these were incorporated into the guide.²⁵ The interviews lasted approximately one and a quarter hours each, allowing time to explore a number of issues in depth.

In the third phase of the interviewing process, conducted late in the summer of 2002 after the semi-structure interviews were finished and an initial analysis made, I returned to MacLeod and MacSween to conduct follow up interviews. These interviews were again structured as open interviews used to explore some of the issues that came out of the second phase of interviewing. As well as these interviews with MacLeod and MacSween, a number of interviews were made in this phase with a number of key informants who were not a part of New Dawn. These informants were selected for their past connection with New Dawn or for their current perspective and interest in the organization. These informants were used to gain a different perspective on the issues being explored within the research.

²⁵ For instance, most of the initial interviewees brought up the topic of the New Dawn Foundation and the new direction of New Dawn in general during the interviews. Thus, the later interviewees were asked about this issue specifically.

In addition to this three-phase structure of interviews, there were numerous other opportunities to gather information through an informal interview process. For instance, through Greg MacLeod, I was able to make connections with a number of individuals from Mondragon. E-mail correspondence with these individuals supplemented occasional personal meetings in Cape Breton where information on Mondragon could be gathered first hand (see Appendix III). Furthermore, one of the benefits of conducting research in a small area where one has personal connections is the informal access to informants in the research process. Thus there were numerous instances when an informant was met at lunch, walking on the street, or at different community meetings and community events where there was the opportunity to have an informal and impromptu discussion about the research issues. Because of my previous connections with New Dawn and the familiarity and trust developed between me and members of the organization, it was easy for members to approach me as well as for me to approach them in informal settings to have a discussion and ask a few questions. Such conversations were carried out with numerous individuals including current and former members of the board, management staff, current and former employees, as well as generally informed citizens. Notes on such encounters were recorded in my research journal and were reviewed during the analysis and writing process.

Focus Groups

A number of focus groups were also used to collect information in the research. Firstly, at the end of the three phases of interviews highlighted above, an initial analysis of the emerging issues was conducted. These issues were used as discussion points for a focus group of New Dawn board members and management staff. This focus group was used to further explore these issues and to check my initial analysis with the experience of the members. The focus group began with a presentation of my results and initial analysis. I then used this analysis to initiate discussion. The issues explored in the focus group were the purpose of New Dawn, its future direction – particularly in reference to the Foundation, the needs of the community and New Dawn's role in fulfilling them, and New Dawn's structure.

As well as this more traditional focus group, a number of other group interview sessions were arranged. These included recorded discussions lead by myself with participants at the University College of Cape Breton's (UCCB) annual Festival of

Community Economics as well as MBA students in UCCB's community economic development program. These discussions were based on the specific case of New Dawn or on more general issues within the thesis such as community businesses, depleted communities, etc. These provided alternative perspectives on the case studies as well as feedback on the issues being discussed within the thesis.

Participant Observation

Finally, there was an element of participant observation involved in the research methods used. As mentioned earlier, previous to starting this research project I had been involved in a number of community business projects in Cape Breton through my connection with Greg MacLeod. This participation also continued during my research period. For instance, during the summer of 2001, I was employed part-time as the financial manager for ESL Cape Breton, a community business which operated English language learning holidays in Cape Breton. Through this experience I was able to see first hand the planning and operation of a community business. Furthermore, ESL Cape Breton contracted its accounting services to New Dawn. Therefore, as financial manager, I had a direct formal connection with New Dawn as a client, rather than as a researcher.

This experience also demonstrated the relatively small nature of the network of people involved in community businesses in Cape Breton. For instance, while the individuals I dealt with as a New Dawn client were not included in my list of formal interviewees, several members of the board of ESL Cape Breton were also board members of New Dawn. Thus, individuals with whom I was employed in 2001 became interviewees in 2002. Furthermore, informal discussions with the New Dawn officer to whom I reported during my employment with ESL Cape Breton would have been included in the background information I developed on New Dawn. These multiple relationships with New Dawn altered my position with the organization. While I was not an 'insider' in a formal sense, neither was I considered an 'outsider'. In my research analysis and interpretation, I was able to draw on these and many other experiences of working within the community business sector in Cape Breton.

Data Analysis

As mentioned previously, the research used what can be broadly described as a grounded theory approach. That is, the theory emerged from the data as the analysis was conducted. Analysis and review was continually being conducted on the information. Thus, it is difficult to identify a data analysis phase of the research. Analysis of the case studies however, generally began with a review of the literature and available documentation on the organizations, including web sites, annual reports and public histories. Literature and documentation on the cases was continually being sought and added to the emerging theory.

Analysis of the interviews followed a traditional process. As interviews were being conducted, I would take notes to highlight main points that were arising during the interview. After the interview, usually that evening or the following day, I would review my notes and add any additional notes and memos to my research journal. After the interviews were completed at the end of each phase, the notes were compiled and a list of issues was identified. These compiled lists of issues were then identified and further notes and memos were made on the topics that were emerging from this initial analysis. These activities took place 'in the field', while in Cape Breton.

The transcription process began while still in Cape Breton. Phase one, for instance was completely transcribed while in Cape Breton. The bulk of the interviews, however, were transcribed after returning to Durham. The transcribing process was important to go through as it raised new issues that were missed during the initial note taking exercise. I would often consult and compare my initial field notes while going through the transcribing process. Inevitably, while transcribing, new ideas would arise which were also noted in a log book.

After the transcriptions were complete, the interviews were read again and coded. The coding process began with an initial coding of each interview noting all the issues raised, with a particular reference to the issues that emerged from the initial notes on the interviews. After the first coding was complete, a second pass was conducted where by the codes were sorted into related topics and subjects. The interviews were then separated into separate topics. Thus, at the end of the transcription and coding process I had an interview log which contained a complete copy of each interview along with several files of excerpts from the interviews organized by topic. The interviews were sorted into the following topics:

1. The Community
2. Greg MacLeod
3. New Dawn's Vision
4. New Dawn's Purpose
5. New Dawn's Structure
6. New Dawn's Organizational Culture
7. New Dawn - Community Interface
8. New Dawn Foundation
9. Measuring Success
10. New Dawn and Mondragon

The writing process began with these themes and incorporated the notes taken from the document analysis. In writing the New Dawn case, the themes were used to flesh out a structure surrounding two key temporal points in New Dawn. First I was interested in its beginning, to examine how it emerged in the climate it did. Secondly, provoked by the issues arising out of the interviews, I was interested in the contemporary changes occurring in New Dawn, and how these related to the community. The process of writing itself was an important process in developing new ideas that emerged out of the cases. Thus the writing process was a part of the analysis as well.

Positionality

As noted in the prologue, this research project emanates from a deep personal attachment to my place. I see this thesis as a journey which will ultimately bring me back to that place. Like the individual in the passage at the beginning of this chapter on his return, I approach this voyage with both hesitation and excitement. As the research is being conducted in what I consider to be my community, with an organization to which I have had previous, although loose, connections, there are a number of issues of positionality which must be highlighted. The possibility of doing something 'important' and 'valuable' for my community excited me. The challenge of negotiating my positionality made me hesitant.

There are both challenges and advantages to doing research in 'your' community. To begin with, and perhaps most importantly, there are questions regarding the possibility

of being objective in such cases. While we can question the validity of whether one can ever be truly 'objective', there are certainly differences between an 'insider's' and an 'outsider's' view. Because the community economic development project being studied is one to which I have expressed a previous commitment, there are questions of whether I, as an insider, will be overly generous in my analysis of the data. To minimize such bias, throughout the research process I have tried to be aware of my position and negotiate my way through the production of knowledge with this positionality in mind. I have tried to remain sober in my analysis and aware of the assumptions being made in this process. In any case, I believe the only way to improve the community is to make decisions based upon a sober and truthful look at the reality. Thus, while being aware of my position within the research, and of my potential biases, I have also attempted to maintain a degree of objectivity.

Doing research in one's own community also has advantages. As mentioned earlier, one advantage has been the access provided to people and information. Because I was an 'insider', both to the community of Cape Breton and to the New Dawn community²⁶, people trusted me and were, I believe, more open in their responses to my questions (as well as being happy to provide tea and oatcakes). Because of my previous experience and reputation, people felt that I was indeed doing something useful and was not out to 'hurt' the organization. In most cases, I could jump right into the heart of the matter with my respondents, there was no need to spend time building up trust. For instance, in many of my interviews and casual conversations I challenged New Dawn members to define and justify the newly-created New Dawn Foundation in terms of the purpose of the organization. Because of the trust previously established in my role, those respondents saw such questions as legitimate inquiries rather than as hostile attacks.

Formally, my relationship with New Dawn was established as researcher and subject. There were no explicit agreements made concerning what New Dawn would get back out of my research. Informally, however, there were expectations on both sides that the research would be useful for the organization. For my part, my reasons for conducting the research included an interest in improving the understanding and operation of New Dawn and community business in general. To achieve this I was open to providing feedback to New Dawn. The focus group session, for instance, functioned as an

²⁶ I use the word 'community' here to indicate a community of interest rather than a place-based community. This is the only time I will do so in the thesis.

information session for New Dawn to learn what I had discovered as well as for me to gather more information from its members. New Dawn will also be provided with a copy of the thesis and I will make myself available for further presentations of the findings.

Over the course of the research project, my relationship with New Dawn has been changing in intensity if not in quality. Previous to the research project I had established relationships with only a handful of individuals at New Dawn. At the outcome of the research, I feel I have established a much wider network of relationships with New Dawn. Furthermore, I also feel that the relationship has changed in that no longer is the relationship simply with individuals of New Dawn, but rather the research project has established a relationship with New Dawn as an organization as well. Thus through the course of the research my relationship with New Dawn has altered in that it has simultaneously become more intense and personal as I have developed and strengthened personal relationships as well as becoming more formal in that a relationship of researcher-subject has emerged. This extra formal relationship has been layered over the previous personal relationship based on common interests.

A final consideration in terms of positionality is that, because I was an insider to the community and to New Dawn, I shared in the communal understanding of what was occurring in the community. This understanding included aspects of a shared cultural history, a shared awareness of the history of the organization, a shared purpose in terms of community development. This tacit knowledge enabled a greater degree of understanding and communication between me and my respondents than would have been possible for an outsider.

While I had to be aware of my position in this research, in the end I found that that position often worked more to my advantage than to my disadvantage. The distance of doing most of my writing and analysis in Durham rather than Cape Breton, also allowed for a perspective that is hard to achieve while in Cape Breton. While one has to be aware of my position when reading this thesis, as I had to when producing it, the process has increased our knowledge of community business and depleted communities.

Conclusion

The research process was very often contingent and emerging as the research progressed. While there was a definite timeline of what I wanted to accomplish, there

was not a rigid plan of what was to be done at a certain time and in a certain manner. Rather the research methods evolved as did the thesis. Who I interviewed was dependent on previous interviews. What I asked my interviewees was contingent and changed according to the emerging issues being highlighted by other interviews and documents. While I had to be aware of my positionality in the research process, the end result was a process which identified and explored a number of issues around the research topic.

CHAPTER IV: MONDRAGON AS
COMMUNITY BUSINESS

Sea People

Allister MacGillivray

They go down with their nets to the shore;
They go down like their fathers before.
And the sea seems to say, "If you ride me today,
I will grant you the wealth of my store."

*They are sea people, the pride of the land,
Strong of the spirit and rough of the hand.
Sea people the waters command
From their rocky old steeds of the strand.*

As the waves rise to tumble and fall
In the face of a wild summer's squall
All the traps will be cast and their courses held fast,
For they brave through the worst of it all.

If you walk the cold beaches alone
As the first light of morning is born,
All adrift in the haze where the white sea gull strays,
You might catch a glimpse on the foam (Of the sea people...)

Introduction

There is an old Basque folktale that tells of a European fisherman who once pulled a cod from the sea. The fish spoke to the fisherman in a strange tongue, in Basque. The tale speaks to the importance of the sea and the fishery to the Basque people. Cod is not native to the Basque waters but, as the tale would indicate, is very important to Basque fishermen. The cod of the tale, it could be said, learned to speak Basque off the shores of Eastern Canada, off Cape Breton, where the Basque sailed to fish. Basque fishermen not only taught the cod to speak their language near Cape Breton, but also left their Basque place names on their seasonal fish camps on Cape Breton's shores (Aspe, Scaterie, etc.). In fact there is a theory, though weakly supported, that Cape Breton is named after an old Basque town, *Cap Breton* (Hamilton, 1996).

The Basques and Cape Bretoners are both sea people. The bond of the sea is strong and has contributed to the character of each. Now, however, there is another link between Cape Breton and the Basque Country. That is the link between Cape Breton and Mondragon, a small Basque mountain town. They are both remote and peripheral places within their countries, often a victim of the policy of the national government. They are both places with a strong and vibrant local culture. And, they are both places that, at different times in the past century, have been in a state of depletion. However, they are also both places where experimentation with alternative economic development strategies has occurred. In both places community rooted businesses have emerged. Mondragon, starting 20 years before the modern Cape Breton movement, has emerged to become the most successful example of community economic development known today.

Chapter II presents the case of Community-based development in depleted communities. This chapter will explore community economic development in practice by using the case of Mondragon. This chapter will begin with a brief outline of the history and development of the Mondragon cooperative network. Particular attention will be paid to the structures, leadership and values of the organization. This section will, however, remain brief as there are many sources of information on the story of Mondragon (see Thomas and Logan 1982, Whyte and Whyte 1991, and MacLeod 1997 as key texts). The chapter will then take up the current debates within the literature regarding changes in Mondragon's structure.

Mondragon

The Mondragon experiment is a 45 year-old network of cooperatives and support services. They are located in the Basque country on Spain's northern Atlantic coast. The cooperatives are based out of the mountainous Basque town of Arrasate, which is known in Spanish as Mondragon. The Basque people are an ancient race of Europeans with their own language and a long history of living in the mountains of Northern Spain. The Basques have, throughout history, been able to withstand numerous invaders. The strength to do so was based on the physical security of the mountains and the strength and solidarity found within their culture.

Figure 13- Guernica, Picasso (1937)



The roots of the Mondragon cooperatives reaches back to post-civil war Spain where the Basque were again repelling an invader into their homeland. The Basques fought against Franco in the civil war and suffered the consequences of fighting on the losing side. As famously portrayed in Picasso's painting 'Guernica', Franco, with the help of the Nazi's, had this Basque town bombed from the air. After the war, the Basque country suffered from economic and cultural policies aimed to punish them for fighting against the Franco regime. In this environment we can definitely see the Basque country and Mondragon in particular as a depleted community. Many of the Basque factories had been razed and unfavourable economic policy from the central government did little to help rebuild the economy of the region. It was reported that nearly half of the people in Mondragon at this time were unemployed (Lutz, 1997). Furthermore, as a direct

attack on the culture, the Basque language was outlawed. Despite these signs of depletion, however, the Basque people endured. The language was maintained, the local economy was rebuilt and the Basques maintained their lives in their mountain homes. The vigour of Basque resistance to outside incursions can be seen in the extreme through the activities of ETA, the Basque separatist terrorist group.

Figure 14 – Map of Basque Country



The actual beginnings of the Mondragon cooperatives can be traced to the arrival in Mondragon of a single person: Father José Maria Arrizmendiarieta. Arrizmendiarieta fought in the war against Franco and, after escaping execution during the war, returned to study theology. He was ordained in 1940 and was sent as a young missionary to the mountain town of Mondragon. The post war setting in which he found himself in was very different from the Basque country before the war. The normally proud and optimistic people were in despair. The continuing unemployment was driving the youth out of the community.

Arrizmendiarieta, recognizing these problems, set about to serve the community and particularly to help the youth of the community. Arrizmendiarieta's efforts in the community were broad. One of his first initiatives was to begin a sport program in the

community to build the spirit of the youth. Three years after getting a sports field, Arrizmendiarieta's team won a regional championship (Mathews, 1999). Arrizmendiarieta also wanted to provide a local opportunity for the youth to become educated. Thus he started a number of study circles and in 1943, set up a polytechnic school.

It was the polytechnic that would become the spark for the first cooperative. Five of the original students, after completing engineering degrees, found jobs in local factories. Those students received more than a technical education from Arrizmendiarieta; they also received a social education through the study groups. In 1955, after being discouraged from trying to introduce social practices into the factories where they worked, they came to Arrizmendiarieta and started the first worker coop in Mondragon. The cooperative made small stoves. They named their venture ULGOR, using the first initials of the five students.

In 1959, Arrizmendiarieta convinced his followers at ULGOR to open up their own cooperative bank to finance business growth and new ventures. This bold move was initially resisted by his former students, requiring knowledge and skills that they felt they lacked. Arrizmendiarieta was persistent, however, and after preparing the business case himself, he was able to sell the idea to ULGOR. Thus they established the Caja Laboral Popular. The Caja proved to be a valuable asset for the cooperatives as it served as source of financing for new and existing cooperatives, it provided a banking service for the community it provided business advice to the growing number of cooperatives and, most importantly, served as a link between the cooperatives. Thus, as new cooperatives were established, they were linked together in a network that provided strength and security for each.

Over the first twenty years, partly aided by Spain's protectionist trade policy and the post-war boom, the Mondragon cooperative system was able to grow quite quickly. By 1970 there were 40 member cooperatives involved in manufacturing, distribution, banking and business services as well as a social security cooperative. Mondragon cooperatives made many of the kitchen appliances found in Spanish homes, built parts for other machinery and operated a growing grocery store, Eroski. In 1974 a research and development cooperative was added to support the ongoing development of the cooperatives and to develop new technologies to bring to market through new ventures. Since that time, Mondragon has expanded with numerous other manufacturing,

distribution, business service and education cooperatives, including a university and technical colleges.

The recession in the early 1980s was a significant milestone for Mondragon. Mondragon's integrated structure allowed it to not only survive but grow during the recession. Although some cooperatives were feeling the pinch of the economy, others were growing. Mondragon was able to redistribute members around the group so that no one lost their job. The linking of the cooperatives through the Caja Laboral Popular (CLP) was a key factor in Mondragon's ability to withstand the recession. By distributing surpluses and debts over the whole group, the CLP enabled individual member cooperatives to survive the recession. It was this success that brought the world's attention to Mondragon.

The 1980s also was significant as it was the beginning of structural change in Mondragon. Based on its experience of the recession in the early 1980s and faced with the prospect of increased competition when Spain fully joined the European Union, Mondragon began a process of corporate restructuring. Up to this time the network of cooperatives were loosely related through their common agreements with the Caja Laboral Popular. In an effort to formalize and institutionalize the strengths of the group the first formal organization of the coops was formed in 1984, the Mondragon Cooperative Group. Under this agreement, the cooperatives were placed into regional sub-groups. The 1987 and 1989 meetings of the cooperative group established the ten basic principles of the cooperatives and broke the ground for further reorganization of the cooperatives. In 1991 the Mondragon Cooperative Corporation (MCC) was formed. The MCC formed the official corporate head of the Mondragon cooperatives and took over some of the monitoring and planning duties from the CLP. Also, under the MCC the coops were re-organized along sectorial rather than regional groupings. Three divisions emerged: financial, production and distribution.

Value Base

The value base of the Mondragon cooperatives, not surprisingly, stems from the social vision of the founder, Arrizmendiarieta. MacLeod (1997) identifies four traditions in Arrizmendiarieta's value base: 1) the social doctrine of the church, 2) Basque social tradition, 3) the epistemology of socialism, and 4) the philosophy of personalism. As a catholic priest, Arrizmendiarieta was aware of Catholic doctrine and

obviously moved by it. MacLeod reports that although Don Jose Maria was deeply influenced by catholic social doctrine, he “came to the conclusion that this social doctrine was too general and abstract to be useful in practice” (1997). Solidarity within and commitment to the Basque community was also part of the founding values. From socialism, Arrizmendiarieta gained the notion of the fundamental role of the worker in social-economic change. He however, rejected state socialism and violent revolution. These aspects were not compatible with his fourth influence – personalism. From this Arrizmendiarieta felt that society should be organized to allow the fulfillment of people through work. Neither capitalism nor socialism achieved this. Thus, the value base of Mondragon was set as being person centred. It was committed to creating a system that led to the fulfillment of the person through work and a connection to community. These were the values upon which Arrizmendiarieta based the organization.

Up to the 1987 and 1989 meetings of the cooperative congress, the social vision of the group came from the inspiration of its leaders and particularly from Arrizmendiarieta, who remained as an advisor to the organization up until his death in 1976. At the time of the structural reorganization of Mondragon the basic principles of the organization were formalized. Through these meetings, the ten basic principles and the mission for Mondragon were set down. The basic principles of Mondragon include:

1. Open membership
2. Democratic organization
3. Worker sovereignty
4. Instrumental or subordinate nature of capital
5. Participation in management
6. Wage solidarity
7. Co-operation between co-operatives
8. Social transformation
9. Universal nature
10. Education

These basic principles support the values of the organization. *Open membership*, *democratic organization* and *participation in management* ensure that anyone can join and have a vote in the management of the organization. *Worker sovereignty* signifies the priority placed on labour within the cooperatives which has implications for distributing surpluses and job security. Because *capital is subordinate* to labour, jobs are protected before capital. Capital, however, is not vilified. Profit accumulation is deemed as

positive and indeed as a necessary requirement for growth. Thus Mondragon is concerned with wealth generation. The principle of *inter-cooperative cooperation* ensures that member cooperatives work together, and in particular, distribute their profits and losses over the wider group.

Wage solidarity is often seen as one of the defining characteristics of the Mondragon model. Mondragon is committed to paying a sufficient wage to all of its employees. However, it also is committed to maintaining wage solidarity between all of its workers. This is understood to mean a “smaller difference between the top and bottom of the pay scale than is commonly seen in the business market” (MCC, 2001). Originally the pay ratio was set at three to one. In 1986 the ratio was increased to six to one to reflect greater differences for similar top management jobs within the region.

The principles of *social transformation* and *universal nature* express the social vision of Mondragon. Mondragon is committed to the *social transformation* of the local region. It has a vision of building a “freer and more just society” (MCC, 2001). It aims to achieve this goal through “reinvesting the majority of its profits, supporting community development initiatives, co-operating with other Basque social and economic institutions and promoting local culture and a social security policy based on solidarity and responsibility” (MCC, 2001). Thus we can see the local commitment of the organization through this principle. It is this principle that ideologically identifies Mondragon as a community-based organization. Further, the principle of *universal nature* links Mondragon’s social vision with other movements in the social economy.

Finally, the principle of education states that “the above principles are only possible if sufficient attention is paid to education and the necessary human and economic resources are provided for both co-operative and professional training” (MCC, 2001). That is, both technical and social education is necessary for the movement to continue.

These basic principles are held as the inspiring philosophy on Mondragon. This philosophy is articulated more succinctly in the mission statement of the organization:

Mondragón Corporación Cooperativa (MCC) is a socioeconomic reality of a business nature with deep cultural roots in the Basque Country. It was created by people and for people, inspired by the Basic Principles of our Co-operative Experience. It is committed to the environment, competitive improvement and customer satisfaction in order to generate wealth in society by means of business development and job creation:

- ⊗ *MCC is based on a commitment to solidarity and uses democratic methods for its organisation and management*
- ⊗ *MCC encourages the participation and integration of people in management, profits and ownership of their companies, to develop a joint, harmonising project aimed at social, business and personal development.*
- ⊗ *MCC instigates training and innovation by developing human and technological capabilities and*
- ⊗ *Applies a Management Model of its own to achieve positions of leadership and promote Co-operation.*

Source: MCC, 2001

Organization

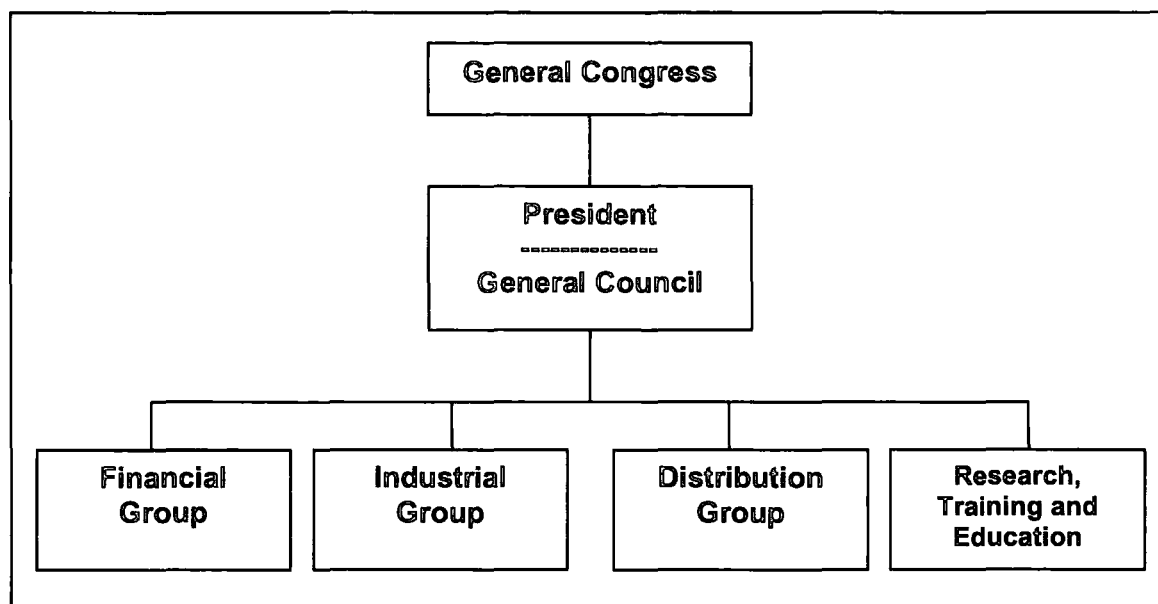
At the basic level of organization in Mondragon is the individual cooperative. Each cooperative has a board of members which is elected by the worker-members on a one vote per person basis. The board of directors hires and dismisses top managers. The board of directors is elected by the worker-members to run the business effectively. The worker-members, however, also elect a social council which has the task of representing worker concerns to management. Each workgroup or section within a cooperative elects a member to the social council. The social council deals with social problems within the cooperative (grievances, etc). Thus there are two aspects of elected representation in a cooperative. First, the board represents members as owners; second, the social council represents members as workers. Thus the dual nature of the member is represented in the management of the firm.

The second level of organization at Mondragon is sectorial groupings of cooperatives. These sectorial groupings set basic wage levels and are involved in group purchasing. The top level of organization is the Mondragon Cooperative Corporation (MCC). The general congress of the MCC is made up of delegates from each of the member cooperatives. The general congress then elects a general council to direct the organization. The MCC is formed as a cooperative project of the member coops. There is no equity placed in it. The MCC acts as a central coordinating and management branch for the cooperatives. Under the direction of the MCC are the knowledge and research coops and the divisions of the coops.

A member cooperative of the Mondragon Cooperative Corporation must sign a contract of association.²⁷ The contract of association, as well as requiring acceptance of the corporation's basic principles, requires that member cooperatives adhere to the regulations and policies of the MCC. These policies include a requirement to invest in and bank with the Caja Laboral Popular. Furthermore, the contract directs how excess profits of the cooperative are to be distributed. At least 20% of the surplus is retained by the cooperative for reserves. At least 10% is put into a social fund and the remainder is distributed to the workers' individual accounts. This amount is withdrawable on retirement only. The social fund is directed towards local charities and community development. The reserve fund becomes a part of the cooperatives equity and does not belong to the members; it cannot be withdrawn. The private accounts accumulate the distributed earnings for the members. The corporation capitalizes this surplus and uses it to fund further growth. Under this structure 90% of the surplus (reserve + individual accounts) is capitalized by the corporation. Thus the Mondragon coops have a system of capital accumulation unparalleled in cooperative structures.

²⁷ Previous to the establishment of the MCC in 1991 the contract was signed with the CLP.

Figure 15 – Mondragon Cooperative Corporation Structure



Success

Mondragon's popularity within the literature is based on its amazing success as a cooperative. It has survived and prospered for over 45 years and has achieved a scale that is unusual within the social economy. From its beginnings in 1956 with one cooperative, Mondragon now includes within its system over 150 companies. It employs over 50,000 people and is continuing to grow within the Basque region and internationally. Table 9 shows the rapid growth of the organization over the last 30 years.

Table 9 – Mondragon's Growth.

	1970		1990		2000	
	Pesetas (millions)	GBP (thousands)	Pesetas (millions)	GBP (thousands)	Pesetas (millions)	GBP (thousands)
Industrial and Distribution Group Sales	7,059	26,118	303,363	1,122,443	1,175,548	4,349,528
International Sales	786	2,908	47,916	177,289	323,544	1,197,113
Assets under administration – Caja Laboral	3,204	11,855	311,112	1,151,114	1,171,429	4,334,287
Equity Fund - Lagun-Aro	147	544	90,917	336,393	374,445	1,385,447
Num. companies	40		109		150	
Jobs	8,743		23,130		53,377	

Source: Mondragon Corporacion Cooperativa, 2001

Mondragon's Analysis I: Praise (1970s and 80s)²⁸

Mondragon was introduced to the English-speaking world through the works of Robert Oakeshott (1973, 1978). The cooperative movement quickly grabbed onto Mondragon as a symbol of the potential for cooperatives (Gilman, 1983; Mollner, 1984, 1994). Numerous studies were made on Mondragon and how its brand of cooperativism made it successful (Bradley and Gelb, 1981, 1982, 1983, 1987; Thomas and Logan, 1982; Ellerman, 1984; Sperry, 1985). Whyte and Whyte made the most notable and complete documentation of Mondragon and its cooperative advantage in 1991 (Whyte and Whyte, 1991). Throughout this period in the 1970s and 80s, as Mondragon continued to grow and prosper, it received generous and favourable reviews from the left. Even the right seemed to take notice of Mondragon's cooperative advantage (Economist, 1989).

Economic success in cooperatives is not rare, but durability is. Internal conflicts within the cooperative structure, it is argued, leads to a degeneration of the coop into a conventional business organization or to eventual failure as a business. Tendencies to restrict membership and insufficient re-investment incentives often lead to the decline of cooperatives. Mondragon's institutional resiliency thus became a key component of research. Hoover (1992) describes how Mondragon responded to the problems of utopian societies in general and Moye (1993) examines how Mondragon's institutional structures met the traditional challenges of a cooperative. What follows is an outline of a number of these challenges and Mondragon's response to them.

Moye outlines four critical problems associated with cooperative growth: membership limits, investment incentives, market discipline and risk of sale. MacLeod (1997) adds a fifth: the tendency for cooperatives to guard their autonomy and act independent of neighbouring cooperatives.

Cooperatives have been shown to have a short-run (Ward, 1958) and a long-run (Vanek, 1977) tendency to *restrict membership*, leading to a collapse of the cooperative or its transformation into a conventional firm. Moye argues that Mondragon avoids this membership limitation through two mechanisms. First, membership fees are equal and

²⁸ Making this time based distinction in the tone of the Mondragon literature is, of course, not clear. The purpose of using the dates is to distinguish between two trends in the literature. Previous to 1990 the literature was, for the most part, overwhelmingly in favour of Mondragon. After the organization's restructuring in the 1990s, the literature on Mondragon became much more critical (see next section).

accumulate at a fixed interest rate. The value of the members' 'share' does not increase as the value of the business increases. Thus the long term tendency to restrict membership to gain greater rents is reduced. Second, each member's capital account is internalized by the coop until the member's retirement. Short term gains are thus minimized as well. Thus members have a much longer view on earnings. These factors make the benefits of employment limitation for individual members limited and indirect. Rather, employment growth is seen as a means to increase share value through long term growth.

Cooperatives often suffer from *under-investment* because members' earnings can earn more outside the firm rather than in the firm. The legal structure of Mondragon requires that much of the residual be reinvested into the cooperative complex. As seen above, 90% of the cooperatives' surpluses are re-invested in the short term. The ability of Mondragon to capitalize a large part of its residual, Moye argues, is a critical factor in its success.

It is argued that without external financing to pressure enterprises, there is a lack of *market discipline* in cooperatives and a risk of low firm entry into the market. Mondragon, however, exists in a primarily market-based competitive economy where there is ample incentive for discipline in co-operative firms. Furthermore, Mondragon overcomes the threat of low entry through institutions such as the Caja Laboral Popular (CLP) [duties of which are now taken on by the MCC body] and the socialization process (including the institutionalization of entrepreneurship - see Ellerman, 1984). The CLP provides an internal source of venture capital for the system. Moye suggests that CLP's monitoring provides some market discipline within the organization. The CLP has a degree of autonomy from the individual coops and thus can be seen as neither internal nor external to the complex. The CLP therefore shares the employment goals of the coops but also ensures business discipline within the coops.

Another risk factor in cooperative firms, raised by Moye, is of *members selling the firm* in order to realize short-term gains. The degree to which the capital of a firm is non-withdrawable by its members increases incentives to sell the firm and realize that additional capital. Submitting to the temptation depends on several factors: members' identification with cooperative goals; concerns of continuing employment; potential pay-off; legal limitations and the firm's financial structure; success of the coop in fulfilling the expectations of the members; and the time horizons of the members. In

Mondragon, sell-off has not been a significant factor. Only two firms have ever been sold and in those cases the financial troubles of the firm made it necessary (Cheney, 2000). Mondragon's success in limiting sell-off is attributed to high level of group identification and dependence on the synergies of the group. Furthermore, in the event of a sell-off, the proceeds of the sale remain in the community through a donation to charity, members can only lay claim to their individual accounts. Thus selling off for profit motives is impossible.

MacLeod (1997) raises a final problem of cooperative growth. MacLeod identifies a tendency for cooperatives to work in *isolation* and guard their autonomy. This isolation makes cooperatives more susceptible to the pressures of the market. Mondragon, by comparison has developed an integrated system of different productive, financial, service, educational and research and management cooperatives. Thus, Mondragon gains strength and flexibility by using a networked system of interdependent cooperatives. Pooled profits protect cooperatives and transferring workers within the network protects jobs during downturns in the business cycle. Mondragon's strength comes from its synergistic system of cooperatives.

Mondragon's responses to these cooperative challenges have enabled it to be successful in both the long and short run. It has been successful in employment creation, capital investment, firm formation, and, perhaps most significantly, in longevity. Mondragon has thus overcome the obstacles of traditional cooperative development. The question, thus, is can the Mondragon model be transferred to other locations? And if so, how? Some critics have argued that Mondragon is a specific and isolated case that cannot be transferred. Others have argued that the Mondragon example does have transferable components that can help other communities develop their economy. Whyte (1995) outlines the arguments presented against and for Mondragon as a transferable model. The 'Mondragon model', argues Whyte, is contested because of the supposed reliance on two critical factors in Mondragon: 1) the associativeness of Basque culture, and 2) the leadership of Arrizmendiarieta. These two unique factors of the Mondragon case, the critics claim, make the Mondragon model un-reproducible.

Basque culture, Whyte argues, cannot be used as a basic explanation of the success of Mondragon. The key to success in Mondragon was the linking together of cooperatives, rather than the establishment of cooperatives themselves. In Basque history, there are many cases of cooperative development, but no history of linking

ventures. Cooperative development has also occurred in many other locations. It is the linking, not Basqueness that has made Mondragon successful. Where this type of linking has been tried elsewhere, in Valencia for instance (see MacLeod 1997 for an account), cooperatives have succeeded.

In terms of leadership, Whyte argues that it is the social structures that Arrizmendiarieta invented that are keys to success in Mondragon, not his particular leadership in the organization. His evidence is that Jose Maria never took up an official role in the organization, but advised on its development. The model can be replicated through its structures and does not need another Jose Maria to re-invent the wheel in other places. The key structures for Whyte are the establishment of capital accounts rather than stocks as means of ownership (eliminating the ability for ownership to be sold to outsiders and also creating a financial resource for the organization), the establishment of the Caja, and the educational institutions. Whyte also identifies the workers' social councils as a key innovation but also recognizes that the lack of worker interest being represented at the top level (MCC) is a weak point in the organization. Thus Mondragon is held as a successful experiment that has overcome the traditional challenges of cooperatives, has a strong social vision and is replicable.

Mondragon's Analysis II: Criticism (1990s)

With Mondragon's continued growth and restructuring into the 1990s, the problems of cooperative growth were again raised, this time with different conclusions. Critics from the left began to voice opinions over what they saw as the degeneration of Mondragon's cooperative values, particularly with the establishment of the MCC body. The most well known dissenter from the left was Noam Chomsky (1994), who criticized Mondragon as being unsustainable because of its ties with the capitalist economy. However, much deeper criticism was to come from other analysts much closer to Mondragon and the cooperative movement. For instance in 1996 a group of activists and academics organized by Grassroots Economic Organizing (GRO) took a study tour of Mondragon. A number of the participants reported back in the GRO newsletter identifying what they saw as clear indications that Mondragon's cooperative ideals were slipping (see GRO Newsletter, Issue 20, November 1996). Howard (1996) for instance

finds the use of foreign non-cooperative plants and the unequal role of women as deviations from the cooperative ideal.

Kohler (1996), in the same issue goes further and describes Mondragon as an ideal, grasped by the cooperative movement and turned into a myth. The real Mondragon, argues Kohler, remains distant from the cooperative ideal. He makes this argument based on four points: 1) MCC has never supported the international cooperative movement but rather partners with capitalistic firms; 2) it has never introduced cooperative issues into its education system, focussing rather on managerial and technical issues; 3) it subordinates development to economic productivity rather than ecological, social, or feminist criteria; and finally 4) it sees the cooperative framework as an impediment not a priority. Kohler sees the increasing use of temporary workers and the selling of stock to external shareholders as examples of anti-cooperativist reforms.

Kasmir (1996) takes 'the myth of Mondragon' as the central focus in her book of the same name. Mondragon, argues Kasmir, is part of a globalized ideology that promotes cooperative labour-management structures as a means to discredit labour unions and other worker organizations. Kasmir argues that labour management relations in Mondragon are not as harmonious as portrayed in the literature. The voice of workers in Mondragon, Kasmir argues, is underrepresented within the literature on Mondragon. Thus, the 'Mondragon model' is a fiction that ignores several key discourses. Kasmir (1999) further argues that Mondragon can only be considered as an alternative to capitalism if you ignore 1) workers' experiences, 2) local politics and, 3) the global economic context. By looking at these missing pieces Kasmir sees Mondragon as part of the neo-liberal capitalist agenda that serves to discredit the role of class relations and undermines workers' powers.

Cheney (1995, 2000) and Harding (1998) draw out more critiques of Mondragon's continuing cooperativeness amidst the changes, both internal and external, that MCC is experiencing. Both Cheney and Harding identify a number of issues which represent threats to the cooperative structure and values of Mondragon. They are:

1. Increasing numbers of contract (non-member) workers.
2. Increasing wage solidarity ratios and the existence of non-ratio salaries for some top managers.

3. Increasing vertical organizational structure and centralization of control.
4. Continued unequal participation of women in the cooperatives.
5. Increasing focus on competition and expansion.
6. Cultural transformations in the organization and the region as a whole towards consumerism and individualism.
7. Reduced evidence of solidarity in the cooperatives.

To meet the challenges of globalization and to remain competitive with its competition, Mondragon has adopted a policy of using temporary workers who do not enjoy the benefits of full member-ownership in the cooperative. They have also invested in foreign manufacturing plants in areas of cheaper labour to remain competitive. Furthermore, in an effort to attract top managers, the wage equity ratios are being broken. These activities challenge the ethical principles of Mondragon. Lutz (1997) argues that while MCC is looking for ways to solve these dilemmas (creating a temp workers coop and converting its foreign plants partially or wholly to the cooperative form), such ethical challenges can be expected to increase in a global economy. Furthermore, the hierarchical form of MCC is creating an alienation of the rank and file employee-owners (as seen in Kasmir's study). This raises questions on how MCC can maintain its commitment to its local employee-owners and realistically compete with and challenge the structures of global capital.

Cheney and Harding present the most direct attacks on Mondragon's claims as a cooperative and social enterprise. The first four points are structural critiques of Mondragon. The last three points, however, are ideological in nature and represent, for Harding at least, the more important issues facing Mondragon today. Although Cheney is more optimistic (2000), Harding argues that Mondragon is in decline and can no longer represent an alternative model of a more socially aware business organization. The implication of these critiques is that Mondragon is no longer, or at least is slipping away from its status as, a cooperative.

These arguments raise strong questions regarding the nature of the Mondragon cooperatives. These critiques come from an analysis of Mondragon as a traditional cooperative. Mondragon's success and failures have been measured against traditional cooperatives. The argument I want to present here, however, is that Mondragon has

never been a traditional cooperative and that analyzing it on this basis leads to misleading conclusions regarding its motivations. Mondragon, it is argued here, is better cast as a community business corporation.

Mondragon as a Community Business Corporation

I would suggest that the key aspects of MCC are not cooperative in nature, but elements of community business. Mondragon was started after the Spanish civil war which left many of the communities within the Basque in a depleted condition. The goals of the originators of the Mondragon movement were to maintain the unique Basque communities by building an economic base that responded to the social needs of the community. There was a perceived threat to the Basque way of life which was economic in nature. The national and international economy had largely abandoned the Basque region. If the Basque region was to survive alternative solutions had to be found.

The founders of the Mondragon cooperatives were committed to the benefit of the local community. They felt that the economy should work for the people and their community, not the other way around. Arrizmendiarieta and his followers tried to set up organizations that ensured that those who wanted to work could work and could do so in their local region. Work was seen as way of fulfilling the individual as a person and maintaining the culture of the area. For them the cooperative form offered advantages in this respect over other options. Arrizmendiarieta, however, issued a challenge to the cooperative movement saying, "cooperativism is a complex of principles rather than a concrete structure" (as quoted in MacLeod 1997). That is, the originators of Mondragon did not have an ideological attachment to the cooperative form, but rather to the values on which it was based upon. Thus the organizational form of Mondragon should be seen as a means to an end. In this light we can broaden the scope of analysis of Mondragon. Mondragon saw the local community as its prime motivation for business. Securing jobs for the local community was seen as a way to root the people in place and support the local culture.

Mondragon's community commitment is written into its basic principles. Mondragon, however, concretely demonstrates its community bond through two mechanisms: the social fund and the reserve fund. The social fund is directed towards local charities and community development. It is a means to support the local social

infrastructure and culture. The reserve fund also maintains a community link. It becomes a part of the cooperatives equity and does not belong to the members; it cannot be withdrawn. Therefore the reserve is equity which, in effect, belongs to the community. The reserve fund and the social fund serve to anchor the cooperative in the local community. This minimum of 30% of the annual profits recognizes the corporation's responsibility to the community. The social fund recognizes the importance of the social and cultural aspects of the local community and the reserve fund, in effect, uses cooperative earnings for the benefit of the community through economic development and job creation. Ownership (and thus profit distribution) is partly cooperative in nature and partly community based. The reserve and social funds can be seen as belonging to the community. The community shares in the benefits of the organization. This social equity (non-member equity) that is built up represents the community's ownership of the organization. Thus Mondragon is a hybrid form; it is not purely worker owned but also community owned.

The key institution in Mondragon in terms of its economic success and rooting the system to the community is the Caja Laboral Popular (CLP). The CLP administers the financial resources of the system. Thus the CLP is the repository of community equity in the system. This capital resource is invested back into the community by financing new ventures. Furthermore, the CLP is the central node of the network of business and social institutions which underpin the whole network. That is, it is the central component of the network of relations which fixes the individual cooperatives in place. Turnbull (1995) argues that this governance structure is key to Mondragon. The governance structure is also the key community business structure in the organization. Thus it can be said that the key component of Mondragon is community based rather than cooperative based. That is, the key component of Mondragon is what roots the organization in a particular place as opposed to factors of worker cooperativism, such as industrial democracy.

Cooperatives and community business corporations are not mutually exclusive categories; indeed they usually overlap. The cooperative form makes certain claims to the structure and ownership of a firm. Traditionally this had a rigid interpretation. Central to cooperatives are principles of organizational democracy and the "common economic, social, and cultural needs" of its members (International Co-operative Alliance, 1995). Community business corporations are more concerned with the

economic, social and cultural needs of the community as whole, rather than just members. In Mondragon, both views are represented – responsibility to workers and to the community as a whole. There is an attempt to recognize the role of both the individual and the community in the organizational structure.

What is the value of classifying Mondragon as a community business rather than a cooperative? This classification allows for a different perspective on Mondragon. The worker cooperative point of view is the predominant point of analysis of Mondragon and is used to advance the cause of the exploited worker; the worker is the unit of analysis. The main problematic for this research, however, is the depleted community. The community business perspective on Mondragon allows it to be assessed in terms of its benefit for depleted communities.

Mondragon and the Basque Community

There is no question that the Basque Country and Mondragon in particular was a depleted community when the Mondragon cooperatives were born. Unemployment levels in many communities were reported to being over 50%. The situation in the Basque Country is much better now. Unemployment in Guipuzkoa, Mondragon's province is 6.2%, compared to 8.4% in the Basque territories in total and to the over 20% unemployment of the past²⁹. As recently as 1995 the unemployment rate in the Basque Country was 25%. The Basque region is now one of Spain's more prosperous regions.

What has been Mondragon's impact on the Basque Country? What role has it played in re-pleting the community? Table 10 gives an indication of the relative importance of the MCC in the Basque economy. As the table indicates, MCC accounts for 4.5% of the Basque GDP and 3.2% of employment in the region. Given the industrial focus of MCC, these percentage figures rise to 6.0% and 7.3% respectively when only the industrial sector is taken into account. While not accounting for a significant portion of the Basque economy, these figures are impressive for a single organization in a region with a population of two million. Furthermore, most of MCC's jobs are located outside of Basque urban centres such as Bilbao, San Sebastian, and Vitoria. Over 90% of the 127 MCC company locations listed as being in the Basque Country are in non-

²⁹ All unemployment figures come from Eustat: www.eustat.es

metropolitan areas.³⁰ Thus, the Mondragon Cooperatives have had a more significant role in the smaller, more threatened, communities in the region.

Table 10 – Mondragon Cooperative Corporation and the Basque Country - 1999

	Basque Country Total		MCC Total		MCC % of Basque	
	Total	Industrial	Total	Industrial	Total	Industrial
GDP	5,562,994	**2,018,986	249,555	121,598	4.5%	6.0%
Employment*	813,400	239,800	26,201	17,500	3.2%	7.3%
Tax	1,222,356		28,265		2.3%	
Exports	1,660,077	***1,532,216		177,530	10.7%	11.6%

Millions of Pesetas

*Number of People

**Of which 267,389 million pesetas are not purely industrial as they correspond to the Energy and Water sector

***Without exports of energy products

Source: Idiazabal (2000)

Mondragon has proved that it can create large scale employment in remote communities of the Basque Country. MCC employs over 26,000 people in the Basque Country. This scale of success is unique for a community-based organization. The lesson from Mondragon for the depleted community is that community-based organizations, even in peripheral and remote areas, can create large scale employment creation. Furthermore, this economic development can occur in a manner that is respective and supportive of the local cultures.

Mondragon's Criticism from the Community Business Perspective

While the community business framework of analysis being promoted here provides an alternative perspective of Mondragon, it does not suggest that the social question is unimportant. The social nature of Mondragon is what identifies it as different from traditional organizations and as a community business corporation. As indicated in the previous chapter, a community business must have a social vision as well as being involved in locally rooted wealth creation. Thus while this chapter suggests that understanding Mondragon as a community business corporation offers better insights

³⁰ Figure based on tallies made from the appendix of MCC Corporations: www.mondragon.mcc.es

for depleted communities, the criticisms levelled against Mondragon as a cooperative can still be applied to the social vision of Mondragon as a community business. Thus in this section, the recent changes in Mondragon will be analyzed using the community business framework.

Mondragon's Adaptations – The Existential Conflict

Mondragon has always been an adaptive organization, changing its structure to meet new challenges and in setting new goals. As outlined above, the recent changes in Mondragon have elicited a number of critiques regarding Mondragon's social values. Key aspects of this are solidarity in wage levels, use of temporary employees and concentration of power and decision-making. Mondragon's critics question the social value of these changes. Mondragon's leaders respond by saying they are necessary in the face of the market pressures for further growth. Mondragon, they argue, has been successful in maintaining its social nature because it has been pragmatic in its approach to business and industrial organization. It has always tried to focus on the possible rather than chasing a dream. Perry (2001b) characterizes this balancing of social values on one hand and economic sustainability and growth on the other as the 'existential conflict' within communitarian economics. The recent changes in Mondragon can be seen as the organization's adaptations to a narrower 'realm of possibility' due to both external and internal factors.

The introduction of Spain into the European Union and increasingly global markets has increased the external competitive pressures on Mondragon. Mondragon no longer has the protectionist trade policies of Franco's Spain to depend upon. Mondragon competes directly against multinational organizations for highly competitive markets. This requires strong market discipline. Mondragon feels pressures to conform to modern business practices which put pressure on some of its social ideals. When dealing with multi-national partners, for instance, Mondragon is often forced to move outside the Basque region to participate in supply chains clustered in regions where cheap labour is available. For instance, to continue to supply automotive parts to a number of its customers, Mondragon had to follow its partners to Latin America where new assembly plants were being established. Furthermore, to remain competitive in the context of hypermobile capital and volatile markets, Mondragon has felt the pressure to gain flexibility by using more temporary or non-contract workers. Because full members of

the Mondragon system receive significant benefits, such as employment protection, MCC is very careful about taking in new members with whom they are not sure they can honour their responsibilities.

Not only has business become global and competition more strong, but it has also, particularly in the manufacturing sector, become more sophisticated. The technical expertise needed to design and run modern production machinery and plants is increasing. Thus, Mondragon's leaders identify the need to break with wage solidarity in attracting and maintaining top quality managers.

Furthermore, as Mondragon grows, particularly with the formation of the MCC, the organization necessarily becomes more vertical as more management layers are added on. Ultimate decision-making moves away from the shop floor and becomes concentrated in the managerial class. Direct democracy becomes increasingly difficult to maintain within increasingly large and more sophisticated organizations. These changes are inherent in organizational growth argue Mondragon's leaders (Cheney, 2000). Mondragon, however, is experimenting with new workplace strategies that give workers more control over their work environment such as work teams.³¹

While Mondragon must adapt to external markets, it also must adapt to changes in the local culture and environment. Globalization has not only meant global competition but the insurgence of global (Western) culture into what has formerly been relatively isolated culture. Mondragon's leaders', its workers and its commentators have sensed a change in the local culture (Cheney, 2000). Consumerism and individualism are on the rise in what has historically been a very communitarian society. As reported above, no longer is Mondragon a depleted community but a relatively prosperous one and more internally divided. This prosperity has meant that individuals are no longer willing to make the sacrifices needed in cooperative development that they had made before - such as working several years at reduced pay.³² Economic success and cultural influences have reduced the perceived need for solidarity within the community.

³¹ The purpose behind these strategies is questioned by some critics who suggest that they are being used as means to increase worker productivity (and stress) without giving up real decision making power (Kasmir, 1999)

³² Cooperative member-owners are required to make a capital contribution when they start. The amount is usually around one year's worth of wages which the member can either borrow from the CLP or have deducted from their salary.

Growth vs. Values - going through the horns

MCC faces a dual challenge in retaining many of its social characteristics. Both pressures from the outside to compete and a new generation of Basque who are less inclined to the personal sacrifices of cooperative jobs (at both the worker and management levels) make retaining Mondragon's original social flavour very difficult. The realm of the possible is perhaps less now than it was in the past. Precisely because of the economic re-pletion to which MCC has contributed, there are unintended consequences in Mondragon which make that development project more difficult.

Leigh-Taylor (1994) argues that the narrowing realm of possibility in Mondragon is a product of the managerialistic rhetoric being used by MCC's managers. Leigh-Taylor argues that two competing rhetorical strategies exist in Mondragon, that of the 'businesslike firm' and that of the 'social firm'. Thus there is a struggle between creating efficient, competitive businesses and creating a production model centred on people. The early history of the system saw more employee participation in decision making and, thus, a more socially minded construction of efficiency. In modern times, especially with the restructuring of the system into the MCC, there is less employee participation at the top levels of decision making. The business perspective has emerged as dominant based on its ability to claim an objectivity to its analysis. This perspective narrows the options for alternative policy.

MacLeod characterizes Mondragon's approach to this problem as 'going between the horns' (MacLeod - reported in Krimmerman, 1998). Core ideals and values are maintained (job creation, indirect democracy and local priority) while others are let go in order to ensure organizational survival and growth. In fact, Clamp (2000) finds that while international growth contradicts some of the MCCs social ideals, it has been successful and beneficial for MCC. Through internationalization MCC was able to secure local jobs which would otherwise be displaced. MCC sees its mission to secure work and benefits for its Basque homeland. The only way to do so in a global world, argues Clamp, is conduct business internationally.

The MCC attempts to maintain a balance between economic growth and core social values in a dynamic environment. Those core values, job creation and local commitment, are the core values of community business. Under the cooperative frame of analysis, Mondragon appears to be in decline. Under the community business corporation framework, however, Mondragon appears to be in a strong position to

continue with its mission. The criticism of Leigh-Taylor, Cheney and Hardy should not be taken lightly, however. They indicate the cleavage planes in the Mondragon model where the pressures of the capitalist system can and are making inroads into Mondragon's social economic model. MCC, however, is always changing to meet these challenges. For instance, in 2003 MCC announced that it will engage in a project to convert its foreign plants into cooperatives, or to at least increase the level of participation in those plants that wish to.

The Social Debate

A reassuring aspect of Mondragon is that the social debate that is taking place outside of the organization is mirrored by social debates that take place within the organization. Mondragon remains a self-reflexive organization. For instance LANKI, the Center for Cooperative Studies at the University of Mondragon, has produced a discussion paper for the 'Testimony Project' which is a means of reflecting on the values and challenges of the Mondragon experience (LANKI, unpublished). Within its internal discussions, Mondragon is aware of the challenges it faces in balancing social goals and business sustainability and growth. The outcome is never ideal, but the struggle towards the ideal is present. The social question remains important for Mondragon as it struggles to remain a more socially oriented organization while trying to grow to the scale of its multinational competitors in the context of the global economy.

Conclusion

The purpose of this chapter is to offer an alternative reading of Mondragon as a community business rather than a worker cooperative. Such an interpretation of Mondragon adds perspective to the literature on Mondragon. Attempts to replicate the Mondragon model as a means of community development based on the worker cooperative aspect of Mondragon could be counter productive. Such an approach would be susceptible to the traditional failures of cooperatives and would fail to take into account the local-rootedness and community purpose behind the Mondragon model.

From the point of view of the depleted community, Mondragon represents a business structure which enables local development in spaces abandoned by capital or the state. Mondragon, contrary to mainstream wisdom, demonstrates that local

organizations and not just macro policies can affect large-scale job growth (Cheney, 2000). Mondragon demonstrates that communities that are isolated from the main networks of the mainstream economy can be successful. That is, growth can occur in spite of (mainstream evaluations of) location.

Critics of Mondragon have argued that it is slipping away from its social goals. I argue here that the changes that these critics point to are the product of market forces, managerial forces and socio-cultural forces. The challenge of Mondragon, as it has always been, is to balance core values and business pragmatism. While this balance may not always be ideally achieved, it is a balance that is sought in Mondragon, and for this reason, it retains an alternative philosophy of business development. The criticisms of Harding, Cheney and others keep the social debate within and about Mondragon alive. The business practices used by its managers keep it viable. Critics of Mondragon from the left, such as Harding, seem ready to drop Mondragon as a model of alternative development at the first sign of market incursions. This reaction risks the loss and alienation of a valuable experiment in social economy and understates the very real challenges an organization like Mondragon must meet. I remember being told of an MBA student studying community economic development at University College of Cape Breton who dismissed Mondragon as a CED initiative simply by saying it wasn't 'pure'. It may not be pure but it works.

CHAPTER V: CAPE BRETON - NEW DAWN
ENTERPRISES

Coast Line
Joyce Rankin

The coast line of this island is
a length of rope that
loops around and binds us together.

Some of us pulling like a yearling
eager for freedom.
Some like an old ploughhorse
standing placid in the sun
when all the day's work is done.

From Rankin's collection *At My Mother's Door* (Rankin, 2002).

Introduction

In previous chapters we have looked at the theory of depleted communities and community economic development (CED). We also looked at a mature CED organization, the Mondragon Cooperative Corporation. This chapter will focus on New Dawn Enterprises, a Cape Breton community business. As Cape Breton and New Dawn are the empirical focus of the thesis, this chapter will present the primary research carried out for this study. The purpose of this chapter is to outline the experience of New Dawn, its development, its structures and its operations. It will then examine the relationships between New Dawn and the community and explore how New Dawn and the community, and the relationships between them, may be changing.

History of CED in Cape Breton

Cape Breton has a long history of community self-help and community based development. Cape Breton has become known as a center for CED in Canada both in practice and in theory. "Cape Bretoners have pioneered community economic development – it is lived here, not merely studied and discussed" (Lotz, 1998). The roots of CED in Cape Breton go back to the Antigonish movement of the early 20th century.

In the 1920s, Father Jimmy Tompkins and Dr. Moses Coady advocated adult learning as a means for rural communities to develop their own paths of economic development. Through the Antigonish movement cooperatives and credit unions were established in various communities around Cape Breton, some of which still operate today.

By the 1960s, however, the Antigonish movement had lost its vigour. Post-War ideals favoured technical over philosophical and ideological education. The crisis in the community sparked by the announcement of the closure of the mines and the steel mill in 1966, however, raised a new community awareness and activity. After the closure announcements, over 20,000 people rallied for a 'march of concern' in Sydney. Groups such as the Metropolitan Alliance for Development (MAD) were organized by business, labour and social leaders to advocate for community concerns.

By the 1970s, the community was frustrated with continuing decline. A group of concerned citizens, lead by Father Greg MacLeod, came together with the idea that they would start their own businesses to combat the economic decline. This was the germination of the modern CED movement in Cape Breton. A number of initial opportunities were examined for their first venture. In 1972, MacLeod drew up the plans for a consortium of mutually supporting cooperatives.³³ The first suggested business was a small engine repair shop, which was needed in the area and thus would be low risk and have low overhead while also being labour intensive. A lack of willingness in the people involved meant that the proposal went no further. In 1973 a second proposal was developed to take over the cable television license for the area. After an initial investigation, it was made clear that the license would only go to an established business group. These early efforts allowed MacLeod's idea to develop further as the right opportunity was sought. Later in 1973 another opportunity was recognized. The housing stock in Cape Breton at the time was in a desperate state and the federal government was introducing a number of housing programs specifically aimed at community organizations. MacLeod created two groups to take advantage of this program: Island Housing and the Cape Breton Association for Cooperative Development (CBACD). MacLeod explains the outcome of these two groups:

I had the notion of testing. Island Housing was set up with the council of churches, highly ethical. Clearly the motivation was charity, help the welfare people. But it's interesting, we made \$50,000. You know what they did with the \$50,000, when I was away, they gave most of it to the poor people of Nigeria, because they saw it as charity.

I had at the same time the CBACD. In the CBACD we had business type people and we tried to use business type means, trying to get bargains in real estate, trying to build up an equity base. So there is a different ethos, a different kind of methodological approach. So I found that the church based thing didn't work but the business type thing worked.

Greg MacLeod

³³ Although MacLeod was unaware of the Mondragon experience at this time, this proposal was very similar to the structure in Mondragon.

The Cape Breton Association for Cooperative Development began by purchasing property to rent to community businesses such as a craft cooperative as well as providing low rent housing. The CBACD was registered as a charitable non-profit organization under the Societies Act. As a charity, CBACD did not have to pay taxes on its activities. Furthermore, as a non-profit organization, its members could not gain from its activities. However, as the CBACD grew, it was obvious that it was walking a fine line. As a charity, it was limited from undertaking business activities. Much of what it was doing could be considered business and thus there were worries about the legalities of the activities of the organization under the societies act. It was clear that another structure would be required if the CBACD wanted to continue to grow legally.

The search for a new form of organization lead, in 1976, to the establishment of New Dawn Enterprises, a not-for-profit community business. New Dawn was registered as a business corporation and thus could continue to grow and conduct business.³⁴ New Dawn took over the assets of the CBACD (\$200,000) and with the assistance of a Canadian Department of Health and Welfare demonstration grant, continued to concentrate on housing and construction.

New Dawn grew fairly quickly in the early days. A significant factor that helped New Dawn was the contribution of services from professionals in the community and skills provided by people from the university. As MacLeod (1991) notes “this contributed equity translated into cash when the building was sold.

New Dawn was structured as an umbrella organization with projects branching out under the main body. The main body of the organization carried out basic administrative and management functions with a number of organizational divisions beneath it (see Figure 16). Each division included one or more subsidiary companies that were incorporated separately from New Dawn but were wholly owned by New Dawn. Thus, the collapse of one company could not bring down the whole structure, yet the profits of each, by being funnelled through New Dawn could be used for mutual support and new development. New Dawn’s businesses include³⁵:

³⁴ The unique form of New Dawn’s legal structure is discussed in detail further in the chapter.

³⁵ This list was taken from New Dawn’s web page: www.newdawn.ca. Accessed March 21, 2003.

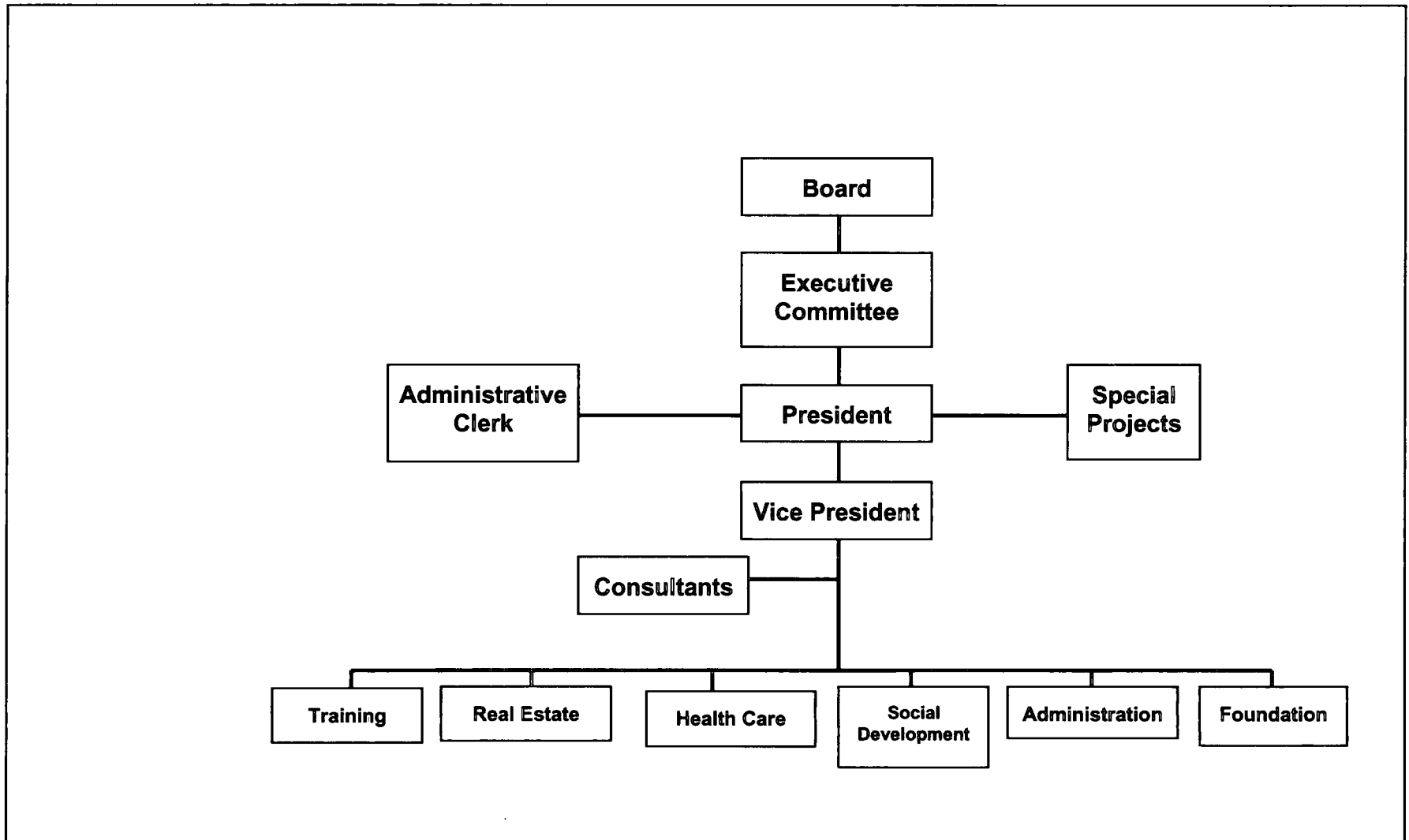
1. **Cape Breton Association for Housing Development** - the oldest of New Dawn's enterprises, CBAHD is a real estate company that provides affordable housing.
2. **Cape Care Services Limited** - a home care company that provides 24 hour personal and health care services to seniors and the infirm in their homes.
3. **Highland Resources Limited** - an accredited private career college that provides industrial and occupational education and training.
4. **New Dawn Guest Home Limited** - a state-of-the-art thirty bed residential care facility.
5. **Pine Tree Park Estates Limited** - a former military base (approximately 100 acres) that has been revitalized and is now home to an array of residential and business activities.
6. **Sydney Senior Care Home Living Limited** - a thirty-seven bed small options residential program that provides 24 hour on-site supervision in a home environment.
7. **Volunteer Resource Center** - a non-profit organization that coordinates the work of more than three hundred volunteers in programs such as Meals on Wheels, Literacy and Friendly Visiting.
8. **Credo** - a business processes outsourcer serving the small and medium sized non-profit community in Cape Breton.
9. **New Dawn Foundation** - A registered charity preoccupied with establishing, developing and operating programs and projects which attend to the process of rebuilding the community.
10. **Mikropublishing** - A publishing company that created and publishes the magazine *Island Sports*.
11. **David Realities** - Owned by Pine Tree Park Est. which continues to operate the building at 106 Townsend Street fully rented to commercial tenants

New Dawn initially enjoyed rapid growth, due significantly to the benefits of inflation on New Dawn's real estate holdings. After over 25 years of operation, New Dawn is now regarded as Canada's most successful and oldest community development corporation with assets over \$20 million (Can) and over 150 staff.³⁶ The road to success has not been completely smooth with two near-bankruptcies. At the 25 year mark, however, New Dawn has begun a new era of expansion and development. In particular, New Dawn announced in 2001 the establishment of the New Dawn Educational

³⁶ A second institution of community economic development was born in the mid 1980s, again through the leadership of Father MacLeod. BCA Holdings Ltd., as a community venture finance company, complements the strengths of New Dawn. BCA was structured as a not-for-profit company with a mandate to invest in old and new small businesses within the community. BCA has also attained success in the community with several successful businesses now within its portfolio. BCA Holdings also gave rise to a sister company, BCA Investment Cooperative which offers yet another way for the community to pool its financial assets for the purposes of local development. Both BCA and New Dawn continue to grow demonstrating the viability of community businesses in depleted communities.

Foundation, which is symbolic of the new era that it is entering. New Dawn's modern changes will form the focus of the second part of this chapter. First, however, we focus on the original philosophy and vision of the organization.

Figure 16 - New Dawn Organizational Chart



Organizational Philosophy

Philosophy and Vision of New Dawn – Greg MacLeod

At one level, the purpose of New Dawn was to deal with the economic problem in the community at that time. The goal was to create business solutions that served a social need. The vision and philosophy of the new organization, however, went much beyond simply creating jobs or businesses. That vision came from the founder and leader of the movement behind New Dawn and many of the organizations that preceded it, Greg MacLeod.

MacLeod's formation and his social vision is as much a product of where he is from as his education. MacLeod was born in Sydney Mines and grew up in a family of nine children. In Sydney Mines, a mining community where everything was controlled by the company, MacLeod grew up understanding the injustices of the corporate system where absentee landowners controlled the local community. As a part of the community MacLeod would also have grown to understand and become a part of the close connections of the community as well as sharing the rich cultural inheritance of the community.

MacLeod's studied theology at Saint Francis Xavier University in Antigonish. Although he would have been familiar with cooperatives from growing up in Sydney Mines, it is here where he would be immersed in the teachings of Antigonish cooperative movement. In 1961 MacLeod was ordained. He continued his education in philosophy receiving his PhD from University Louvain, Belgium in 1969 and doing further study at Oxford. Thus, while MacLeod's Cape Breton roots informed his cultural identity and value system, his education in theology and philosophy informed his vision for social reform.

MacLeod returned to his roots in Cape Breton from Europe via South and Central America to take up a position as Professor of Philosophy in a local university. Upon his return, MacLeod was surprised and distressed to see Cape Breton in an economic situation more reminiscent of some of the third world countries he had travelled through than cities like Montreal and Toronto. The economic situation created an imperative for MacLeod to get involved in economic development. It was at this time that MacLeod began to organize groups such as the Cape Breton Association for Cooperative Development and eventually New Dawn.

There are a number of aspects of MacLeod's philosophy and his vision for New Dawn. First, and most important is a commitment to the local community. MacLeod describes his value system as being based in his community commitment:

I'd say that my basic value is communitarian, I say that human nature is such that we are built that when we work together to help each other we thrive and blossom and be more successful and have better lives.

As MacLeod's basic value is communitarian, his philosophy and activities are also based on a very deep commitment to the community. That commitment comes from a very meaningful concept of community and community identity. Stewart Perry, a colleague of MacLeod's, describes MacLeod's community commitment as 'very meaningful' and having "a commitment, an allegiance to a history, and a culture and a concept of self as a community, a concept of community by the community, a finding of meaning of oneself as a part of that." For MacLeod, the community is ultimately important as a source of meaning and identity for the individual.

For this reason MacLeod is also very sensitive to the plight of the community. Charles MacDonald, who worked with MacLeod on New Dawn and a number of his other social projects, recounts MacLeod's "sense of the woundedness of the peripheral areas, whether it's Cape Breton or Yarmouth or the Miramichi³⁷". MacLeod, therefore, maintains a sober and thoughtful reading on the problems that effect the community. Reflecting on the community, on its needs and its assets, together with a wider political economic reading of Cape Breton and its role in the world, has contributed to MacLeod's vision for the possibilities of Cape Breton and similar places.

MacLeod's reading of the problem was that Cape Breton was suffering from an economic problem. Cape Breton had no control over its own economy, it was beholden to the whims of absentee owners and off-island governments. Movement from a value-based standpoint to action was quick for MacLeod. Responsibility for the community demanded action in times of economic depletion. For example, MacLeod describes the founding of New Dawn in the following terms:

³⁷ Yarmouth and the Miramichi are other peripheral and depleted communities in Atlantic Canada.

The problematic is economical, the reason we were interested in the problem was ethical. We felt responsible for our neighbours. ... We're driven by ethical concerns to solve an economic problem.

This quote raises two key aspects of MacLeod's philosophy. First is the power of group action. Although MacLeod was the acknowledged leader of the movement, he is quick to point out that it was a group effort. MacDonald speaks to this saying "[Greg] understands the power of group action, getting a number of people involved, inviting people in, he invites people in and he looks for competence, he is very impressed with competence". This understanding of group action is the legacy of the Antigonish movement that MacLeod has maintained. MacLeod firmly believes community people acting together can achieve great things.

A second component of MacLeod's philosophy is that community commitment means that people will act selflessly. MacLeod believes that people will work together for a common good without expectation for personal reward. Perry describes this aspect of MacLeod's philosophy "if you are going to do something as and for the community, you are not doing it for yourself. So it's tremendously important to think of what you are doing in and about New Dawn is in a sense selfless, in a sense dedicated to the other".

These two aspects lead to MacLeod's business philosophy, which is that business can do social good. MacLeod felt that committed people operating in a business structure could create socially beneficial outcomes. His experiences with the Council of Churches housing project and the CBACD taught him that business techniques were more effective in creating long term benefits for the community. MacLeod describes his business philosophy in the following terms:

In human endeavour, money is not the only motive for work. Entrepreneurship can be motivated by things other than making money. That for me is the most basic thing in the New Dawn type of concept. Is it possible to organize a successful business in the capitalistic system that is based on public good and public purpose?

New Dawn very clearly decided that they were going to do business. And follow business methodologies and make profit. ... If we don't make money, it's very hard to be sustainable over the long term.

Part of MacLeod's business philosophy was that ownership was key. Cape Breton's experience with absentee owners made it very clear to MacLeod that community ownership of resources was critical. MacLeod felt that businesses had to be rooted to the community, "I would have [business] locked into a geographic territory ... if [business] is rooted and locked into the local community, it has to benefit the local community". For MacDonald a "fundamental thing about the philosophy of New Dawn from the beginning was that you had to own something, you had to have a property. ... that's the backbone of New Dawn right to this day".

MacLeod's community and business philosophy lead to his vision for a community business. I asked MacLeod what was his vision for New Dawn, what was it that they wanted to do? He replied:

Our purposes are basically philanthropic; we want to help the community. We are not out for personal gain. But we don't want to do charity, because that's endless. We want to do business that makes money and develops equity, develops retained earnings that can grow and expand.

Thus MacLeod formed an organization that matched his social and business philosophies. It was "a democratic organization, everybody has one vote no matter who they are and how much money they have." But further it was also structured so that "no money [could] leave New Dawn. It's a snowball, it's a rolling snowball, if they do things right their equity should increase every year. I call this social equity." Thus New Dawn's capacity to aid the community would increase as the size of its 'social equity' increased.

Finally, to round off the discussion of MacLeod's philosophy we return to where we started, community. Culture was integral to the economic development of the community. For MacLeod, if Cape Breton had an economic boom but lost its culture in the process, than it would have 'lost everything'. Thus for MacLeod, culture was part of the process of economic development. For instance, Perry describes this part of MacLeod's philosophy:

For Greg, I think he was always 'it should be fun'. This is not a grim dread task, but a joyous opportunity. So that conviviality, living together,

*is a significant part of it. The joy of working together. And of course that is again derived from the culture, the ceilidhs.*³⁸

The process of economic development was thus a part of the process of re-enacting ones culture. MacDonald describes how MacLeod integrated community culture into the process of development:

We had the habit of socializing a bit. ... the idea that people not only work together but do a certain amount of socializing. Greg was very good at organizing these ceilidhs which were almost like meetings, we'd have a ceilidh and there would be a talk. ... It was a chance for people, not only for people to enjoy each others company but we'd always invite local musicians who were sympathetic to what we were doing, and give them a stage too. [It was] kind of a part of that Celtic revival in Cape Breton.

What has been described here is the founding vision and philosophy of Greg MacLeod for New Dawn. MacLeod's vision helped shape the original formation of New Dawn and his influence has continued to have its effect on the organization.

The formation of New Dawn in the community at that time was somewhat of a radical departure for a community that had grown dependent on big industry and the private or public owners of those industries. Rankin MacSween, New Dawn's current president, notes the difficulty in actualizing that vision at that point of time in the community's history.

What they were up against in 1976 was not the same. They were not welcomed in the community. They were running against the grain. The idea at the time was that government could solve everything, another program; more money was all that was needed. And Greg was saying 'No, that's not going to work'. Nobody wanted to hear that, nobody.

MacLeod and his followers, however, persevered and the vision took on life of its own. MacLeod summarizes New Dawn's vision at its outset:

New Dawn is not simply an organization. It is a movement. The vision is that local people in their community have the capacity to manage their own affairs.

³⁸ *Ceilidh* is a Gaelic word meaning a 'gathering' or 'visiting'. In Cape Breton it has become synonymous with 'party', often referring to kitchen or house parties as well as community celebrations. This is in contrast to the English connotation of more structured 'barn dance' ceilidhs.

Purpose

MacLeod's broad social and business philosophy helped form the basis for New Dawn. Here we will begin to focus our analysis on the organization itself. Out of MacLeod's vision, the organization was formed for a particular purpose. That purpose, as an expression of MacLeod's philosophy, has been evolving and, at times, seems elusive and difficult to identify. We will explore how New Dawn is struggling to re-examine and clarify its purpose later in the chapter. For now, I will focus on how the purpose was expressed in New Dawn's past, particularly at its inception. For this purpose I will concentrate on New Dawn's formal declarations of its purpose as described in its official publications and documents.

As explained above, New Dawn was established through a Health and Welfare Canada demonstration program. The initial organizational study submitted to Health and Welfare Canada contains the earliest expression of New Dawn's purpose. Prepared by Bob Radchuck for the accounting firm Thorne Ridell, the study states: "the purpose of New Dawn will be to utilize local human resources, consisting of individuals with similar concerns and goals for the economic and social development of the community" (Radchuck, 1976). He further states that, "New Dawn would act as a strong community based organization for the development, administration and monitoring of local programs attacking community problems on a wide front" (Radchuck, 1976). Radchuck's report thus refers to the community commitment of the organization. It also emphasizes group action of people with a shared social vision. However, in terms of what New Dawn would actually do, it is very broad in its description. New Dawn is conceived as an organization that would address economic and social needs in the community.

New Dawn's purposes were clarified somewhat when it was established as a legal entity. The Memorandum of Association describes New Dawn's purpose in the following clauses:

- a) To engage in any one or more lawful mode or modes of acquiring, managing, operating, furnishing, exchanging or distributing any type or types of goods and services for the promotion and establishment of ventures that contribute to the creation of a self-supporting community;

- b) To promote, initiate, maintain and encourage the social, cultural and economic growth of Cape Breton Island by encouraging the development of business ventures and community development programs which will be of benefit to the community of Cape Breton Island, including, but not limited to, the promotion of housing, health care services and senior care services;

The primary purpose of New Dawn established in the memorandum of association is stated in clause (a): promoting and establishing ventures that contribute to the creation of a self-supporting community. This firmly establishes New Dawn's community goal as 'self-supporting' and its method as business ventures. Clause (b) interprets a self-supporting community to include social and cultural aspects as well as economic. Therefore, New Dawn's holistic approach to development and emphasis on culture is maintained in the organization.

The purpose of New Dawn outlined in the memorandum of association was adapted to form New Dawn's original mission statement³⁹ which read:

New Dawn Enterprises is a community development corporation committed to establishing and operating locally-based ventures that contribute to the creation of a self supporting community.

This mission statement of New Dawn leaves room for interpretation. In 2002, MacLeod simply and clearly stated that "the goal is obviously to create jobs in Cape Breton. That was always the goal". Directly addressing the economic problematic is the clear purpose for MacLeod. MacSween, however, argues that "the paramount aim is that Cape Bretoners should not only 'have more' but rather that 'they be more'". That is, the mission is broader than the economic problem. MacSween states that: "What this is about is preserving a way of life. In New Dawn they are not about business, they use business as a means to an end, and that is to preserve a way of life". This interpretation reflects back to the fundamental aspect of New Dawn's and MacLeod's philosophy, commitment to the local community.

³⁹ During the writing of this thesis this mission statement was changed and updated. The new mission statement will be discussed later in the chapter as the purpose here is to capture the purpose as understood at the time of inception.

Values – MacLeod to the Organization

We have already illustrated a number of MacLeod's values, through his philosophy, above. In this section we will explore what specific values New Dawn has adopted from MacLeod and how they guide its work. New Dawn was created to be a business organization that put values in front of profits. As MacSween (1995) points out, New Dawn owes much of its value structure to MacLeod: "the New Dawn idea was, without question, MacLeod's idea; its cannon, his conception." New Dawn thus has gained many characteristics from MacLeod, the most important of which is its value base. Those values, as Jim MacCormack, a management consultant with New Dawn points out, very much guide the activity of New Dawn:

Here, we have enshrined these values, everything we do has to be based on those values. If it does not fit with the values, then it shouldn't fly here.

Very clearly, New Dawn has adopted many of MacLeod's basic values such as community commitment and belief in group action. MacSween, in his doctoral thesis, investigates the values that underlie New Dawn. New Dawn's values, he argues, are based in its historical-cultural context. New Dawn, is thus primarily concerned with the community but also is a response against some of the conceptions of depleted communities. Thus New Dawn holds to values that empower and enlighten the community concept of self. MacSween summarizes these values of New Dawn in the following:

New Dawn is a purposeful, community based, independent organization standing against the notion of community incompetence. New Dawn is an expression of leadership being acted upon by a critical group of people and standing against the notion that the community cannot act cooperatively. New Dawn is a process of authentic dialogue which stands against imposed prescriptions. New Dawn is an expression of faith standing against the community's lost belief in itself and New Dawn is an instrument that facilitates the process relevant to human development.

MacSween, 1995

MacSween's list amounts to a deep commitment and belief in the local community felt by New Dawn. It expresses faith in the local community as a leader in its own development.

New Dawn not only has a commitment to the community, but also holds a wider social view of the economy. Thus, the activities of New Dawn must address a social need as well as being economically viable. For instance, New Dawn's vice president Mike Maroun explains, "We don't necessarily go into a business because we know it's going to make money. We go into business because we perceive that there is a need that needs to be addressed". Maroun makes the distinction between pursuing opportunities and pursuing needs. New Dawn, he claims, may look for opportunity, but must satisfy itself that the opportunity addresses a community need and does not negatively affect the community. Thus, New Dawn has turned down lucrative business proposals, such as ammunition manufacturing, on moral grounds.

New Dawn also holds to particular values in the form of its intervention approach. New Dawn claims to view people as assets, not as liabilities. MacCormack states that New Dawn is "NOT for the downtrodden, we will work with them, but we want them to be much more enterprising, independent and self-sufficient". Thus, as MacSween also noted above, New Dawn is not prescriptive in its approach to community problems. Rather it invites community participation in finding solutions.

A further characteristic value of New Dawn finds its roots in New Dawn's connection to the local university: University College of Cape Breton (UCCB). That is, New Dawn values discussion and inquiry. New Dawn has had a long but informal connection with members of the local university as many of its staff and board members have come from there. This has two effects on the organization. First it creates a quality of searching for truth in New Dawn. New Dawn senior staff member and former UCCB employee Denis Cassivi highlights this quality:

What I find is one of the most unique and exciting things about New Dawn, unlike many organizations and institutions, I still have a sense that you are allowed to speak, and that you get all kinds of exciting and challenging views that are different, and I think that is one of the things that make New Dawn alive.

The second effect of the academic influence on New Dawn is that it conceives of itself as an experiment. That is, it does not claim to have a hard theory on how to develop the community. Rather it focuses its energy on trying numerous different approaches to development, none of which are proven until they succeed in practice.

In summary, New Dawn holds a number of different values. First and foremost is a communitarian value. It also has social values that direct which activities it engages in and how it deals with the community and the people it works with. Finally, New Dawn has the value of inquiry, of learning by doing, of searching for truth and testing ideas on community development.

Organizational Structure and Culture – Institutionalizing Values

In the previous section we have examined the philosophy, purpose and values of New Dawn. These characteristics can be seen as the basis upon which New Dawn was founded and operates. They create a social imperative for New Dawn. What is novel and radical in this case is that these social goals were embodied in a business organization, rather than a charity or social organization. This section will examine how the social purpose and values of New Dawn are maintained throughout the business' history through its organizational structure and organizational culture.

Organizational Structure

Before the founding of New Dawn, MacLeod and his followers were running its precedent organizations based on good intentions and a lot of personal energy. This could not last forever, a more formal structure was needed. As MacSween points out, "It takes somebody charismatic like Greg to start it, and then you need, New Dawn, his first creation, to survive, it must become more structured."

The choice of organizational structure for New Dawn was very deliberate and well thought out. After the experience of the Cape Breton Association for Cooperative Development, MacLeod and his group were convinced that a business entity rather than society was needed to accomplish the goals of the group. The CBACD was organized under the societies act which excluded them from doing business. Under that structure there were significant limitations on the possibilities for growth and the activities they could be involved in. To accomplish the goals of the organization, they were going to need a business structure. A lot of careful thought and some luck went into finding the right legal structure for New Dawn.

Finding the Right Structure: Corporation Limited by Guarantee

In his search for a legal structure MacLeod had a few criteria he needed to satisfy. First, it had to be able to engage in a wide variety of business activities. Flexibility was key. Second, there had to be a way to root it locally, to ensure that it remained in the community. Third, it had to work for the community, nobody could be able to take out the profits; no individual should be able to financially benefit from the organization. MacLeod was worried about the two obvious choices for legal structure: a regular joint stock company or a cooperative.

MacLeod was nervous of these forms because they didn't fit his criteria. In a regular for profit company for example, shareholders would be making money on the activities of community development. MacLeod's experience was that the profit motive could eventually supersede the good intentions of the company. A regular company, as well, could not be rooted to the community, it could be bought and moved.

The cooperative form also posed problems. MacLeod considered it more democratic and the profit motive could be controlled, but it had disadvantages in flexibility. Nova Scotia cooperative law permitted cooperatives to engage in only one form of business activity. Thus a new cooperative would have to be formed for each new activity of the organization. As well, in a cooperative, since there are shares, they can be bought out and sold to other interests.

While MacLeod could find ways to control the profit motive, such as a non-profit form, and to allow flexibility in business, the biggest hurdle he faced was finding a regulatory form that allowed the business to be territorially specific. The method of rooting the organization would prove to be the most difficult criteria to meet.

MacLeod, after meeting Stewart Perry at a conference in 1975, learned of an American model for a community development corporation, a model "invented in and by depleted communities in the United States" (Perry, forthcoming). The American model allowed charitable organizations to conduct business so long as no profits were realized by the individuals running it. The model seemed very promising.

Unfortunately, however, Nova Scotia had no such law on its books. MacLeod presented Denne Burchell, a Cape Breton lawyer who had worked with him before, with this problem. Burchell was aware of a similar but rare form of organization called a 'company limited by guarantee':

There was an older form of incorporation that was still installed in the companies act of Nova Scotia, and that was to form a company limited by guarantee. That mode of incorporation was devised originally to enable community corporations to be formed, to get limited liability so as to protect the people involved in the organizations like tennis clubs and a whole range of organizations. And of course without putting limitations on carrying on business.

The company limited by guarantee⁴⁰ fit MacLeod's criteria. It was able to engage in a wide variety of business activities. It had no shares, so it could not be bought and sold, and although the legal structure did not explicitly exclude members of the organization from realizing profits, such a clause could be inserted into the memorandum of association. Instead of shareholders, a company limited by guarantee had members who would control the operation of the organization. Furthermore, the organization was 'limited', thus members of the company were protected from creditors in the event of the business being wound up. Their liability was limited to a 'guarantee' they signed to back up a company, similar to the liability of share values in a regular company. However, the guarantee in a company limited by guarantee was usually symbolic. For instance, New Dawn's guarantee is \$100. Therefore, the structure enables similarly motivated people to engage in business activity for the benefit of the community without risking their assets.

The structure did not explicitly state that the organization was rooted to a particular community. Again, this was amended through the memorandum of association which stated that the purpose of the organization was to serve the community of Cape Breton. As there were no owners, the organization operated 'in trust' of the community, this effectively rooted the organization to the territory of Cape Breton. Although this was a somewhat indirect way to root the business in the community, it seemed to be the best option and would prove effective in the long run.

Institutionalizing the Values: Articles of Incorporation

The legal form of organization fulfilled MacLeod's criteria for the business structure of New Dawn. The basic legal structure, however, did not spell out the purposes of the organization nor did it automatically create the type of company MacLeod envisioned.

⁴⁰ For more information on the company limited by guarantee in Nova Scotia law see: <http://www.gov.ns.ca/legi/legc/acts.htm>

Through the memorandum of association in the legal structure, however, MacLeod could define the purposes and powers of the organization. For MacLeod, using the memorandum of association was critical to ensure the longevity of the purpose: "I think it's important that the corporation have in its basic legal structure, in its memorandum of association, that the purpose is community." Institutionalizing the purposes and values of the company as much as possible were critical to MacLeod: "Legalize as much as you can, you can't do it completely, there will always be trust, but you can build in a lot of legal controls on how you run a company." While emphasizing the importance of legal controls, MacLeod also emphasizes the importance of trust – a trust rooted in community.

The purpose of the organization was established in the memorandum of association as discussed above. Those clauses ('a' and 'b') ensured that New Dawn was focused on the goal of building a self-supporting community by encouraging social, cultural and economic growth. There are two further clauses in the memorandum of association that must also be mentioned: clauses 'c' and 'j'.

- c) to carry on the business of the company without purpose of gain for its members and any surpluses (or what may otherwise be characterized as "profits") or other accretions to the company shall be used in promoting its objects.
- j) subject to the rights of outstanding creditors, upon a winding-up or termination of the company, to deliver and pay over the remaining assets of the company to an organization or institution having similar objects and purposes.

Clause 'c' has two effects. As mentioned above, it was required to ensure that no individual could receive a financial gain from the operation of the business. This clause is important as it identifies the corporation as a not-for-profit organization, which, under Nova Scotia law, enjoys certain tax privileges. The second component of this clause is that any profits realized would be reinvested in the organization to further its purposes, rather than being donated to charity for example.

The last clause, clause 'j', further ensures that members can not gain from the business by ensuring they cannot receive profits from selling off the company in the event of termination. Thus, members would not be tempted to close the company for personal gain.

The structure of the organization, through its articles and memorandum of association is able to institutionalize the values of the organization. The organization is anchored in the community. As there are no shares to buy or sell, the organization cannot be moved. In effect, New Dawn is owned by the community. Its purpose is communitarian and its profits are reinvested towards community goals. Thus, it can be thought of as acting in trust of the community.

Structure as Enabling

New Dawn's structure enables it to achieve its goals and attract valuable resources for community development. The structure enables the organization to engage in a variety of activities. Mike Maroun explains the advantages of the legal structure in terms of business activities:

The legal structure enables us to do a lot of things that other companies can't. We can do non-profit things, we can do not-for-profit things, we can do for profit things and we do charitable things. So having that kind of legal structure and that kind of legal flexibility enables us to do a heck of a lot of stuff.

The structure, through reinvesting the profits, also enables New Dawn to build up equity, which is part of MacLeod's business philosophy. MacLeod explains:

New Dawn [has] articles of incorporation that make [it] unique in that profit belongs to the community. It operates in trust for the community. The profit is used to benefit the community by creating jobs, building housing, supporting culture. It uses the wealth to solve the problems of the society.

MacSween reflects on the value of New Dawn's structure for community development purposes: "I think the structural thing, in many ways New Dawn can't miss, because we can't take anything out."

As well as enabling the business operations to benefit the community, the structure also enables individuals to participate and contribute to community development. Ora McManus, New Dawn's special programs manager, identifies the structure as key to enabling people to contribute:

The key structural piece, to realize our idea of helping people contribute in an honest and authentic way is a not-for-profit structure limited by guarantee. That is the key, that structure.

That is, people, because they are assured that it is the community in general and not individuals who will benefit from their contributions, are able and willing to donate their time, energy and money to New Dawn without fear of exploitation. A short anecdote recounted by Rankin MacSween will demonstrate the scale of this enabling factor.

We have a board member in the month of August, working on a project. And this board member would talk about this deal we want to do and we were explaining the cash problem. The board member says, look I have some extra cash, maybe I'll give it to you for a while. So this guy he goes and he comes back with a cheque for thirty thousand dollars. He says here is \$30,000, give it back sometime, I'd appreciate that. That's incredibly touching...but this happens here, this happens more and more. But it's the structure that is able to trigger that kind of generosity.

The form of business structure, thus, is enabling in two ways. It enables the organization to have flexibility in its business activities. Furthermore, it enables the organization to activate community and individual resources in terms of time, effort, skills and money. The community purpose enables people to trust that their assets will be put to good use. The business structure enables people to trust that the organization will get a return on those assets.

Organizational Culture

In the section above we explored how New Dawn's values and purpose are maintained through its legal structure and how that structure enables the organization to achieve its goals. In this section we will look at New Dawn's organizational culture in a similar light. First we will examine how New Dawn reproduces its values through its organizational culture. Second we will look at the particular characteristics of New Dawn's organizational culture that enables it to achieve its purpose.

Reproducing the Values

The legal structure of the organization does not, by itself, create the character of the organization. Organizational culture is another, and perhaps more visible, key factor in

New Dawn's character. The organizational culture is as important as legal structure in reproducing the values of the organization. MacLeod structured the organization legally to protect it against unscrupulous individuals who may twist its intentions. Organizational culture on the other hand, does not work in a defensive sense, but is the means by which the purposes of the organization are reproduced and strengthened within its members. In New Dawn, it was quite clear early on that structure could not replace culture. As Marcel LeRoy indicated in his 1979 report on New Dawn to the Federal Government:

Moral commitment cannot be replaced by rules or structures. Sincere commitment by the members is essential. No government rules or special structures can eliminate the need for trust and integrity.

LeRoy, 1979

As the culture of the organization was considered to be an important element from its inception, New Dawn has put a significant amount of thought into how that culture can be reproduced. Thus it has developed a number of methods for recreating the culture and educating its members.

Leadership – the Pied Piper

The culture of New Dawn was established by its leaders during its early years. Those leaders, at the centre of whom was Greg MacLeod, laid down the norms and particular characteristics of the organization. Thus the values of those people were established in the culture at that time. Those leaders attracted similar people to the organization. So the culture was reproduced by virtue of its attractiveness to certain types of people, those with a commitment to community. Sister Margie Gillis, a New Dawn board member, explains how the values are passed on through the relationships that the leaders foster:

We have a particular charisma, particular values. I think people are attracted to that, people are drawn to it. So, whether it gets institutionalized, well I think it becomes more a matter of relationships, so you are attracted to the values, I had a similar attraction to New Dawn, the Greg MacLeod way of doing stuff as I had to my own congregation, so I think its about individuals.

Another Board member, Norma Boyd, describes the leadership as a Pied Piper, attracting people to the values:

The magic of New Dawn to me is the people, the leadership, the kind of people that are a factor. I think that's the great similarity between New Dawn and Greg as I see it. New Dawn has become its own Pied Piper that attracts good people who will continue to do good things for the right reasons.

The organizational culture is shaped by the personalities and the reputation of the leaders involved. While MacLeod was the original leader whose values shaped the organization, many involved now point to the strong personality of the current president, Rankin MacSween. For instance, Norma Boyd feels that a "personality like Rankin MacSween's drives the organization." Boyd explains that "people allow him to put his stamp on the organization" They do so because people "trust Rankin and his insights." This acknowledgement of MacSween's leadership comes from staff members as well as board members. For instance, New Dawn's accounting manager, Janet Gillis, describes MacSween in the following terms:

His influence over and the way he deals with people and the way he deals with organizations,... he just has an incredible, it's not power, not influence, but an aura about him. He instills confidence in people.

The leadership's influence over the organizational culture, however, is not passive. Because people are attracted to these personalities and values, they are open to learning from them as well. Thus, within New Dawn, there is a significant amount of time spent discussing the issues and values of the organization. As MacLeod points out, there is always a danger in losing the organizational culture, "people lose the ethos of the culture because they don't stop and think. So I think its hard to do, it's a dilemma, how to find time to get people to talk." Culture has to be actively reproduced through thought and practice. Balancing work and discussion is thus a challenge. Denis Cassivi, a manager at New Dawn, explains how the leadership balances that challenge:

You have Rankin and Ora [McManus] and Jim [MacCormack]... and you're getting, you are entering a seminar all the time, and you are getting a very profound reflection all the time. They still have to produce, we still have to recover our salaries, you have to do that or we're gone, but that's almost incidental. Of course you have to do that but lets not waste a lot of time on, you do it but in the mean time we've got this bigger stuff that we've got to deal with.

Thus the leadership is active in stimulating discussion in New Dawn on the bigger issues rather than focusing too much on the business of running the organization. Discussing the values of New Dawn is an integral part of the discussion for the staff of New Dawn.

Educating the Board

As well as leadership amongst the staff, New Dawn also relies on the leadership of the board for its organizational culture. The board sets the direction and vision for the organization and thus sets the tone for the work of New Dawn. Thus, New Dawn is also very careful in ensuring its board members share the values of the organization and can work within that culture. There are two ways in which New Dawn accomplishes this. The first is New Dawn's board recruitment strategy.

New Dawn ensures its values are carried through on the board by actively searching for compatible people to work with New Dawn. The chairman of the board, Joe MacLean explains, "New Dawn is constantly looking for people who are active in the community, who seem to be effective in other endeavours in the community, and try to bring them into the New Dawn experience. Recruit them as board members. Try to get them on committees." Board recruitment follows a strategic process. Before being recruited to the board, New Dawn will invite someone who they feel shares New Dawn's vision and can bring specific skills and knowledge to sit on a committee. The board will set up committees of New Dawn members as well people from the community to look at specific issues and potential projects. New Dawn will first recruit people to committees where they can work with the organization, learn more about it and the organization can learn more about them. After a person proves themselves on a committee, New Dawn, if they wish to work with them more, may invite them on to the board. Thus, as Stewart Perry explains, they have a way to "bring people in who already know something about New Dawn. They don't have to educate them, they already have done something for the organization, with the organization and they have done it effectively." Thus New Dawn is able to ensure that its board members already share the organizations values and will be effective members.

Figure 17 – New Dawn Board



The educational process for board members doesn't stop once they are on the board however. An important part of being on the board in New Dawn is participating in the annual Board of Directors planning weekend. The planning weekend is set up as a three day retreat in a secluded part of the Island where board members meet together for an intense weekend of discussion as well as social activities. All board members interviewed indicated that this was the most important part of their board experience and many stated that it was one of the more meaningful dates in their personal lives as well. For instance, Jim Kelly describes the planning session in the following terms:

In my experience, the most important moment in the New Dawn calendar is the Iona planning session. It is the one time in the year where there is sufficient time for serious discussion with a serious agenda, beyond the ticker tape of running an organization which board meetings often turn into. So over two and a half days at Iona there's a real sort of fire.

The discussion at the planning weekends is reserved for looking at the 'big picture' and critically self examining the organization. For instance, some of the topics explored

at the 2002 planning weekend include the role of the board, articulating the vision and mission of New Dawn, and issues regarding rebuilding the community. It is through those discussions, the self reflection, and the creation of relationships amongst the board members that the values are reproduced. For example Margie Gillis explains:

Not only does it give a chance for board members to dialogue and debate for a whole weekend, they have a chance to build relationships, and I think that is a key part of all of this. ... I think that is a method of upholding the value structure that is in place.

Thus we can see that the organizational culture, as lead by and reproduced through the board has a role in maintaining the value structure of the organization.

Psychological Leader

MacSween identifies another factor in maintaining the values of New Dawn through its organizational culture, the adoption of a psychological leader. Despite officially leaving the organization in 1982, Greg MacLeod has maintained continuing influence over the organization. MacSween (1995) spends a significant amount of time in his doctoral thesis discussing the impact of adopting MacLeod as New Dawn's psychological leader. MacLeod, argues MacSween, influences the organizational culture by reducing tensions in the organization.

MacLeod's influence helps reduce tension in the organization by providing consistency in vision despite changes in leadership. While the organization has struggled with decisions affecting its basic premises over the years (such as whether to seek profit, to publicly or internally elect the board, to sell-off or integrate new businesses), the adoption of a psychological leader has allowed these tensions to be resolved quickly. MacSween notes that these tensions, because of MacLeod's influence, are always resolved in favour of the original organizational ideas. This has allowed New Dawn to be an effective organization. As MacSween (1995) states, "the fact that New Dawn has a psychological leader means that the organization has been able to focus most of its energy productively." Without MacLeod's influence in resolving tensions, MacSween feels that it is unlikely that New Dawn would have survived: "It is doubtful New Dawn could have survived without designating a psychological leader."

MacLeod's influence on New Dawn continues through his role as psychological leader. New Dawn's values are guarded through this image which is shared throughout

the organization. Thus MacLeod “serves to embody or personify the image or the vision that the organization represents” (MacSween, 1995). In an interview, MacSween argued that this is an “incredibly powerful organizational asset, and the further Greg moves away from New Dawn the stronger the myth gets.” As that myth becomes stronger, so to do the values of New Dawn become deeper ingrained.

Organizational Culture and Structure: Conclusion

In this section we have examined New Dawn’s structure and culture. We have seen how the structure and culture reproduce the values of the organization. The organizational structure, through the memorandum of association and its articles institutionalized the values of the organization as much as possible. Specifically they ensured that the organization was locally rooted, locally owned and operated for the benefit of the community. This structure enabled community development through equity creation and by attracting people who wished to participate in the development of the community. The organizational culture moves on where the structure stops. The means through which the organizational culture is reproduced also serve to reproduce the values of the organization. Specifically, through the leadership of staff members and educating the board, the culture and values of the organization are maintained and strengthened. The establishment of the psychological leader, Greg MacLeod, was also seen as a key component of the reproduction of the culture and providing guidance in terms of organizational values.

These two facets of the organization are presented here together for the important reason that the success of the organization depends on the interaction between the two. The structure enables equity to be built, for growth to happen, but it also enables willing people to participate in the project without fear of being exploited for someone else’s benefit. It is the dynamic between the direction that the structure lays down and the capabilities and motivations of the people that it attracts that allows New Dawn to function in the way it does. That is, it is doubtful that without such an organizational structure, good people could achieve the same results. By the same token, without the possibilities offered by this structure, it is doubtful that good people would come together for the same purpose and sustain their energies for such a long time. MacSween (1995) sums up the strength of this dynamic, “that the organization has

survived in a milieu so destructive to development is a testimony to the strength of the forces by which it is propelled.”

New Dawn and the Community: Relationships

To this point we have described New Dawn as a socially-minded business that is based upon a commitment to the local community. The discussion thus far has focused on New Dawn itself and its early development. However, as an organization dedicated to the community, its relationship to its community is also a crucial facet of its operation. In this section we will examine New Dawn’s relationship with the depleted community it resides in. This section is based on the interviews with New Dawn staff and board members. It should be noted that these interviews took place in 2002, a year after the collapse of the coal and steel industries in Cape Breton, as noted in the prologue. The community being described by the participants here is very different from the community which was the context for New Dawn’s formation in the mid 1970s.

New Dawn’s Perception of the Community

During the fieldwork I asked the participants of the interviews, New Dawn board and staff members, to describe the community (see Appendix I and II). They were first asked to describe the community they work in generally. Subsequently I asked specifically for the problems and the assets of the community. Their responses are summarized below.

Interview Question - How do you characterize the community you operate within?

- | | |
|-----------------------------|---|
| ◦ Lacks jobs | ◦ A Folk Community |
| ◦ Vibrant Culture – music | ◦ Nasty, brutal and short in life potential |
| ◦ Beautiful | ◦ Primitive |
| ◦ Depleted | ◦ Suffering |
| ◦ Dependent | ◦ Battered |
| ◦ In transition | ◦ In crisis |
| ◦ Sick | ◦ Flat |
| ◦ Declining | ◦ Despair |
| ◦ Bludgeoned | ◦ Beaten |
| ◦ Socially, Culturally rich | ◦ Dying |
| ◦ Economically Poor | • Culture of Survival |
| • Wonderful People | • Excluded |
| • In Denial | |

Clearly there is a contrast in New Dawn's perception of the community. There is a mix of both positive and negative responses to the question, although it must be noted that most responses began with the negative. The contrast mirrors the community description as described in the prologue. The community is seen as having dire economic and social problems but also having a rich social and cultural character. MacLeod describes the contrast: "It's a socially and culturally rich community but economically poor. ... The economic systems don't function well. The social systems, the cultural systems function very well."

Community Assets

New Dawn participants were asked to identify the key assets of the community. It was clear that the community did have some significant assets. As MacLeod put it, "if Cape Breton was not socially rich, there'd be hardly any people here." Some of the assets of the community identified in the interviews are listed below.

Interview Question - What are the assets of the community?

- People
- Residents' commitment to place
- Generosity
- Unpretentious people
- Beauty
- Safe, clean place to live
- History, culture
- Pride
- Social cohesion
- Island mentality – ability to work together
- Sense of community, identity
- Meaningful lifestyle
- Good workforce

The primary asset of the community identified by New Dawn was the people. Personal characteristics of the people such as generosity, honesty and unpretentiousness were listed as assets. However, it was the sense of community held by the people that was most often identified as a valuable asset. For instance, Norma Boyd described the assets of the community as people “who care about the island, who care about one another.” For Joe MacLean (Chairman of the Board) that community commitment is apparent because, despite the economic problems, “we have no desire to be anywhere else.” The sense of identity that comes from the community is part of this cultural asset. For example Mike Maroun (Vice President) explains that, “culturally [we] have an island mentality, so [we] have people that can work with each other.” Maroun feels that because of the common identity, ‘people understand each other’, which creates the possibility for working together. Thus, for Maroun, the common identity means that ‘when the chips are down’ people will come together for a common cause. Furthermore, the cultural identity is strengthened by the perceived threats to the community. Board member Jim Kelly feels that in communities like Cape Breton, being economically ‘battered’ actually “makes people more aware of who they are and what they are in space time.” Thus, this asset of ‘community’, paradoxically, increases in strength as the community is more and more threatened.

A further asset of the community identified by New Dawn is the scenic beauty and lifestyle that the environment engenders. Norma Boyd sums up this asset by saying, “we have a beautiful island, safe, clean; it’s rewarding just to live in a place like this.”

Margie Gillis makes a link between the beauty and community values with a 'meaningful lifestyle' that is part of the community. This too is considered a community asset: the slow pace of life, the importance of personal and familial relations. These community assets are also confirmed for New Dawn by participants in a federal civil servant management program which is regionally coordinated by New Dawn. The coordinator, Jim MacCormack, reports that participants find a rich sense of 'community' and 'meaning' in Cape Breton, to a degree not seen anywhere else in Canada.

Community Problems

New Dawn participants were also asked to outline the problems of the community. New Dawn's perception of the community's problems has several layers. It begins with an appreciation for the economic problems that plague the community but also goes deeper into cultural and attitudinal problems.

Interview Question - What are the problems/challenges of the community?

- Unemployment
- Peripheral – economically and geographically.
- Bad reputation – labour unions
- Small, declining population
- Unable to honestly assess itself
- Lack of leadership
- Attitude
- No sense of ownership
- Fear of taking a lead

Economic Decline

Economic decline is the most obvious of the problems Cape Breton faces. For the past several decades it has had unemployment levels and dependency ratios much higher than the provincial and national averages. With the collapse of the mines and the steel plant, there is an increased urgency around the economic problem. New Dawn recognizes this problem through its identified need to create viable businesses and local jobs. It also understands the nature of the problem at a deeper level. New Dawn understands Cape Breton's marginal position in the world economy. Thus, for New Dawn, the problem goes beyond steel and coal. MacLean for instance argues that "under good circumstances, if we didn't have a cultural dependency that is built up

around steel and coal, if we didn't have that, things would still be tough. We are a community that is on the periphery of everything." The effects of economic decline on the community are also clear to New Dawn. For instance youth out-migration, according to Boyd, is creating a 'flat' community which is "lacking in energy because we've lost so many of the young people."

The problems of the community, according to New Dawn, however, go deeper to include the legacy of a working class culture of dependency and absentee ownership and governance. That is, Cape Breton's culture, as identified in the prologue, has never had ownership and control of the economic and political decisions that effect the island. As Ora McManus (Manager) puts it, the people have "never been allowed to have any ownership of any of the decisions that effect their life." For this reason, leadership in the community is hesitant and suspect, there is little sense of ownership in the decisions that affect the island and entrepreneurial behaviour is rare. Furthermore, because the motivations of leadership are held to be suspect, there is a difficulty in working together in groups. This exists despite the sense of community that Maroun identified providing the potential for common action. As Margie Gillis states, "we're ready to fight before we are ready to compromise on some things for the greater good." Thus, New Dawn identifies an attitudinal problem in the community which is a result of the working class culture.

New Dawn's Perception of the Community - Conclusion

New Dawn's assessment of the community identifies some serious economic problems. The community is clearly facing severe economic decline and a host of related problems such as youth out-migration. New Dawn's perception of the community also delves deeper to identify attitudinal problems particularly around aspects of leadership and decision making. Despite these problems, however, New Dawn also identifies vibrant social and cultural assets in the community. The sense of identity and commitment to place of the residents is considered a strong asset of the community. Thus it is quite clear that in New Dawn's thinking, Cape Breton is a depleted community. It suffers economic decline, but yet maintains a strong sense of community and attachment to place.

New Dawn's Assessment of Community Need – 'Repleting' the Community

Given the picture of the community's assets and problems listed above, what is New Dawn's assessment of what needs to be done to 'replete' the community? In this section we will examine New Dawn's assessment of the community's needs.

Given the economic problems of the community, its most immediate needs are not surprisingly identified as job and enterprise creation. While the economic problems are perhaps the most obvious, New Dawn contends that it is the cultural and attitudinal problems which are the more difficult to deal with and which need to be addressed in order to deal with the economic problem. The key factor which New Dawn has identified here is the lack of leadership and organization in the community. Thus MacSween argues:

*Cape Breton has never been organized. ... Cape Breton was always governed by absentee landowners. Thus it is not a case of re-organizing; it's a need to organize for the first time. It's not a case of re-building the community; it's a need to **build** the community. (emphasis added)*

Thus New Dawn sees a need for the community to get organized. Because of the history with absentee owners and government, however, the culture is very suspicious of leaders. Yet, because that is what the community has always known, it has become very dependent on its leaders at the same time. Thus leadership is a very difficult mantle to take on in Cape Breton. People both have high expectations but are also very suspicious. MacCormack explains:

We have come to believe that ... our future on this island depends on the ability to somehow elect the right person, and the right person can save us. It will never happen, it can't happen, but we've come to believe it. The biggest challenge we have in Cape Breton is to make people understand that no body else is going to do it for us.

The challenge then, according to New Dawn, is to find a form of leadership that involves the community, that ensures that the community participates in and takes responsibility for the community. Ora McManus describes this need for leadership in the community:

We have to have leadership that understands the complexity of moving a deprived people to a sense of awareness of their responsibilities. ... If we

do not have leaders, or a few leaders with a vision that they must promote responsibility and ownership, then there is no hope for the place. ... Engaging people at every level of responsibility is the critical vision required to transform this community.

Leadership is a first step, but what is needed to come out of leadership is a plan. New Dawn sees that there is a need for a vision for the future and a plan as to how to get there. Norma Boyd responds to the question 'what does the community need?' with "develop a plan, [we] desperately need a plan." She adds that without a common goal to work toward "people are scrambling in a lot of different directions and we are losing a lot of energy." This requires working together cooperatively. However, in a context where, as Maroun explains, "we would rather fight with each other than work with each other", working together is a difficult goal to achieve. Thus, for Maroun, the first thing that is required is for people to understand that "they can agree to work with somebody without capitulating, they don't have to give something up so the other guy wins."

For the community to move ahead there is a need for a goal to work towards. MacSween, however, describes the problem as not only a lack of vision for the future goals of the community, but also in a lack of vision for the present community. The community, which has defined itself in terms of steel and coal, has lost its identity he argues. Before a vision of the future can be made, this identity of the present is needed.

Who are we as a community? When we talk about ourselves as a community, in terms of identity, all we are able to talk about is when we were steel and coal. Well, who are we now? This community is caught in that historic trap. We have no sense of who we are now and we have no sense of who we want to be. Those are very basic to the business of trying to create a future. And we aren't even having those conversations.

MacSween argues that conversations about who we are and where we are going are not taking place. The leadership in the community, government and business, it is argued, is too taken up with political issues and self-interest to have these conversations. The preoccupation, New Dawn argues is with institutional self-interest rather than the community interest. Furthermore, New Dawn argues that it is often dangerous to speak the truth in the community. Because people are suspicious of leadership and because the community is in denial about its problems, New Dawn argues there is often a reprisal for speaking the truth in the community.

For New Dawn, therefore, a key component in repleting the community is providing a space for that conversation. The community requires a space where, as MacCormack states, the community can 'honestly assess itself'. Thus Cassivi feels that we need to 'create a safe place to talk' where people can feel free to "participate without fear of some reprisal." Creating a place for honest community dialogue is key to developing the community.

Finally, that community dialogue must lead to a decision, a formulation of a vision of who we are and where we are going and a plan of action. Thus MacSween feels that the future of the community ultimately depends on the community making a decision about the future. "It's very much biblical in the sense that it is about making a decision and if we can get to the point of sincerely and authentically making a decision in this community then it will manifest itself." Thus for MacSween, the most important task for the leadership and the reason community dialogue is needed is to get the community to work together and participate in a sincere decision making process regarding the future of the community.

New Dawn's Role

Given the assessment of the community outlined above, what is New Dawn's role in developing the community? Rankin MacSween identifies three aspects of this role. The first aspect is the business piece. MacSween claims "New Dawn will still continue to try and start new businesses. New Dawn wants to keep doing it better and bigger. New Dawn needs to keep demonstrating that there are all kinds of opportunities in the community." Mike Maroun, the vice president agrees, "I think one of the biggest things that we have been able to do is to show by example."

The second aspect that MacSween identifies is providing a safe place to talk. He likens this to a 'farmers fence', a "safe place for dialogue [where] one can retain one's own point of view and hear other's as well." Finally, he identifies the third aspect as "calling forth the leadership in individuals in the community." Thus MacSween argues that New Dawn provides an avenue "for ordinary folk to come on and assume responsibility for the community and work for it and achieve results."

Certainly the first aspect has been the focus of most of New Dawn's attention during its first 25 years. MacSween explains this emphasis as a need to survive. New Dawn, with the exception of the initial Health Canada development grant, receives no funding

from the government. It is dependent on income from its businesses to survive and to support its non-income generating activities such as the community volunteer program. Thus, MacSween explains the energy that went into the business aspect of New Dawn, “you had to try and run all these businesses, even though they’d be modest, its like a vortex, you get caught, its like having children, you get married and trying to raise the kids takes all your energy.” Now that New Dawn has achieved stability and relative success in its business operations, it is beginning to look at these other roles with more intensity. We will look at these changes in New Dawn in the following sections.

New Dawn’s Assessment of Community Need: Conclusion

New Dawn’s thinking on the community clearly goes very deep. In both its perception of the community’s assets and problems reported in the previous section and in its assessment of community need, New Dawn demonstrates a sober and sophisticated analysis of the community. New Dawn, in my experience as a resident of the community, thinks about the community, and understands it, at a much deeper level than any other community organization. New Dawn, in its thinking, has delved into the complexities of the cultural and attitudinal problems that both underpin and are caused by the economic problems. By contrast, other economic development agencies in the community have ignored these persistent features which underlie the economic problem and have regularly announced that Cape Breton has ‘turned the corner’. Thus, although not measured within the research framework, it is quite clear to me, as a community resident, that New Dawn has developed the most sophisticated and the broadest understanding of the community in Cape Breton.

Community Perception of New Dawn

Above we looked at how New Dawn thinks about the community. Now we reverse the relationship and look at how New Dawn is perceived by the community. The question is asked from two perspectives. First, members of New Dawn were asked what they felt is the community’s perception of New Dawn. Second, general members of the community were asked, in informal settings, what they felt about New Dawn. The responses of non-management employees of New Dawn were also procured to include a different internal perspective of the organization.

Community

President Rankin MacSween sums up the community's perception of New Dawn: "Some think we are wonderful, some think we are terrible. To most we are mysterious". Most New Dawn members feel the organization is not clearly understood by the community. Board member Margie Gillis believes "there are probably 10% of the people in the community who vehemently disagree with what they do, there are probably 10% who strongly support what they do, and the other 80% have no idea what they do, never even heard of them".

Others stress that, although many people do not understand New Dawn, the organization is generally perceived in a positive manner. New board member Norma Boyd states that: "All that I ever have had is positive reactions, now that I identify myself as a New Dawn board member. People, I think, respect New Dawn in the community". Greg MacLeod finds proof of this positive association in New Dawn's ability to attract money and volunteers: "I think it's well perceived: if it wasn't, they wouldn't give us money, they wouldn't volunteer. We have no problem getting volunteers".

The community's response to New Dawn generally fits with the group's own perception. That is, in talking to community members, most people seem not to know or fully understand New Dawn. Those that have heard of it generally have a favourable perception, if an inaccurate understanding. Of those familiar with New Dawn, some are opposed to it and others are favourable. The community's perception of New Dawn is very often a function of what constituency a person comes from. The religious, business and community development communities all have very distinct perceptions of New Dawn. The religious constituency has a positive view of New Dawn. This is partly attributed to New Dawn's religious connections. MacSween explains:

"People tend to see New Dawn as mysterious, but good. The religious aspect has a large part of that – Greg as priest and the presence of clergy on the board. In Cape Breton there is still an esteem given to clergy; there is assurance that this is a good organization, no one is exploiting anyone".

Thus, the religious community members tend to think of New Dawn as a positive organization that is doing the work of the church.

Business members of the community, particularly the established business sector, tend to see New Dawn as a 'quasi government socialist group'. They do not perceive New Dawn as an effective business organization. This negative view is not shared by many younger business owners. This constituency's comments indicate that they feel New Dawn is a positive force in the local community. They critique, however, that New Dawn is not active enough in the community. Several people commented that New Dawn moves 'too slow'.

The community activist sector is similarly split. Some see New Dawn as a successful community business, as a role model. This perspective comes from people more involved in the economic aspect of community development. There are others in the community sector who are more focused on the social side of CED and feel that New Dawn has 'sold out' and lost its ideological traditions (MacAulay, 2001).

This duality of perceptions in the community is mirrored within New Dawn. Joe MacLean, the chairman of the board, feels that "New Dawn is seen as successful; it is seen as a significant employer, as making a contribution". Conversely, Norma Boyd states: "I don't have an impression of [New Dawn] as being a leader in business development or employment activities".

Employees

The perception of New Dawn differs within the organization as well. In talking to employees, different perceptions and understandings of the organization seemed dependant upon an individual's place in the organizational structure. For instance, line workers in companies operating under the New Dawn umbrella often did not differentiate between their job at New Dawn and a similar job with another company. The understanding of New Dawn as a community-based enterprise was very limited among these employees. There was an understanding that New Dawn was not-for-profit, but little else. There was some evidence to indicate that workers felt it was a more 'comfortable' and 'low stress' environment compared to other workplaces, but this was not associated to the type of organization, but rather to the character of the supervisor and co-workers.

On the other hand, workers who were closer to the management structure, such as accountants and trainees working in or close to the main office, understood New Dawn as a unique social enterprise. Such workers perceived New Dawn as 'an important and positive community organization' to which they were 'willing to give extra'. Employees in these positions felt that they were part of something larger than their immediate role.

Both employees who were near to the management structure and those further away from it had mixed experiences with New Dawn. One student (who had worked for New Dawn for a term) understood the implication of New Dawn's not-for-profit status to mean they paid 'terrible wages'. The low wages, reported the student, were countered by or acceptable because of the valuable experience the position offered. Similarly, another former employee (who worked closer to the management structure) felt that, although they shared in New Dawn's vision and supported the organization, New Dawn was 'too set in its ways', 'closed to new learning' and 'slow to adapt'.

Geography

The perception of New Dawn also has a geography within the community. There is a perception that New Dawn is a Sydney-based organization with little impact on the surrounding communities within the CBRM and Cape Breton as a whole. This is in contrast to New Dawn's Cape Breton-wide mandate. New Waterford resident Margie Gillis explains: "I'm not sure if people in New Waterford would identify New Dawn as something that belonged to New Waterford; it's not ours, it's a Sydney thing." Thus although the organization is mandated to serve all of Cape Breton, the perception is that New Dawn is a centrally located business that operates predominantly within Sydney. Further evidence of this comes from the development of New Deal, a sister organization to New Dawn that was developed in North Sydney (with the help of New Dawn) in order to provide the same type of organizational structure to the communities on the north side of Sydney Harbour.⁴¹ New Deal was developed because New Dawn was not active on the Northside.

⁴¹ Some management at New Dawn now consider this to be a mistake. Ora McManus found that it was set up "without any attention to workable practices" and as a consequence the organization collapsed. It was felt that this attempted repetition of structure without proper leadership was weak and that New Dawn should have taken the lead role in that community.

Clearly the community has opposing views of New Dawn. Furthermore, New Dawn itself has opposing views as to how it is perceived by the community. As an organization that straddles the community and business sectors, it has critics and supporters on both sides. In the general community, however, there is a significant lack of knowledge and understanding regarding New Dawn. Simply put, most people have no knowledge of New Dawn beyond name recognition.

This raises questions regarding New Dawn as a community-based business. What does this say about New Dawn and its community vision? Can a business claim to be community based when its community is largely unaware of its existence? In what way is the organization based in the community?

Involvement of Community in New Dawn

Given that the community has a mixed perception and limited knowledge of New Dawn, we must ask just how New Dawn interacts with the community. What are the active relationships that tie it to the community (as opposed to the regulatory structures within its legal structure)? New Dawn members were asked to identify how the community participates in the organization. Their responses are summarized below.

Interview Question - How does the community participate in the organization? What is the interface?

- Through board and committees
- Engages people in the community
- Works with other community groups
- Conferences, focus groups, meetings, etc.
- Informal connections through members and staff
- Community as customers, clientele
- Relationships with government / community structures

What becomes clear is that New Dawn's interface with the community is based on one-to-one relationships. That is, there is no broad interface with the community as a whole through vehicles such as public meetings and votes. New Dawn's engagement is

based on individual networks with other members of the community or with other organizations.

This has led to criticism from within and without. The criticism from within New Dawn is simply that it does not interface enough, that it has remained purposefully hidden within the community. This is reflected in the scant and ambiguous awareness of New Dawn within the community as seen in the preceding section. However, this attitude is changing. Jim MacCormick explains that "New Dawn has always chosen to remain small and modest, to keep to itself, never poke its head out of the fox hole." The idea was that New Dawn would lead by doing and purposefully keep its profile low. A low profile was thought to be needed in a community that was hostile towards leaders. MacCormick, however, explains further: "I think now, because there is such a need, that they have to learn how to engage the larger community." Thus, people from within New Dawn are looking for ways in which to engage the community and become a recognized leader.

The criticism from outside New Dawn focuses on democratic practices within the firm. Because the board is self-electing, many proponents of democratic organization denounce New Dawn for being a closed system (MacAulay, 2001). There is no popular community control over the organization and its policies. By contrast, New Dawn claims that its form of democracy is based on participation. MacLeod states that in New Dawn "the only way to become a member is by doing something."⁴² By participating in New Dawn, you can shape its direction.

The difference between these two conceptions of democracy and participation is crucial for understanding New Dawn's role within the community. New Dawn does not have broad participatory community input into the organization as understood by notions of representative democracy. Thus we cannot say that New Dawn represents the community, but rather, that it acts as a member of the community. New Dawn participates in the community as an individual organization, making relationships and interacting with other individuals and organizations within the community. It is an organizational member of the community that not only participates within the

⁴² MacLeod, however, also acknowledges a weakness in New Dawn in that line workers do not have a role in the decision making processes. MacLeod would like to see more of a role for worker participation within the model. There had been attempts by New Dawn to create more of a role for employees. For instance, MacSween had attempted to organize the workers of the New Dawn Guest Home into a worker cooperative. The workers rejected the offer, preferring to have a regular job and not wanting to get involved in management duties and 'wasting' personal time going to meetings.

community through its relationships, but also has the good of the community as its operational goal. In this case there is a separation between saying that one represents the community and that one works for the community.

New Dawn and the Community: Change

If we compare the current role for New Dawn identified in the previous section – providing a safe place to talk and calling forth leadership in the community – with the original purpose of the organization – which focused on establishing local ventures, we can see a change in the organization. New Dawn's interpretation of the problems of the community and its strategies for developing the community are changing. The interpretation is moving from a straight economic analysis to a deeper social and cultural analysis of the community. In a sense, New Dawn's thinking is experiencing its own 'cultural turn' in understanding the economy. The strategy is moving from a focus on business start-ups to community dialogue and education.

New Dawn recognizes that it is in the process of change. Many interviewees spoke of a 'turning point' in the organization which is occurring presently. There are two reasons given for the present changes that organization is going through. First is that these changes reflect the changes that are occurring in the community. With the collapse of the main industries in the area, the community has entered a new era in its history. New Dawn has felt the crisis that that collapse has brought on in the community. It senses an urgency to act. Margie Gillis explains this urgency:

The collapse of the two industries, and then the, that consequent out migration of people, I think it became very clear to the people at New Dawn that the community was at a turning point, a crisis. ... And I think they sense that in order for the organization to continue into the future, the next 25 years are going to have to be different. ... At the 25 year point [of New Dawn] the whole community just collapsed.

The second reason given for why New Dawn is changing now is that it has finally built up the capacity to be able to contribute to the community in ways other than starting and running businesses. MacCormack explains that "for 25 years they have had their nose to the grindstone and their shoulder to the wheel just to keep their snout above water, to survive, so they've never had much capacity to give to the community." By the 25th anniversary, however, New Dawn had a sense that they had survived and

had assets and began to search for a way to engage those assets in a wider vision of community development. Thus MacCormack feels that New Dawn has reached the level where it can address 'a much bigger need' by playing a role in "creating a new environment, a new mindset where a whole community can start to see the challenge of development in a different light."

New Dawn is thus changing because of two forces. First, its sense of responsibility to the community which is going through drastic change and crisis demands that New Dawn respond in new and innovative ways. Second, because New Dawn now has the capacity to give more, it is pushing to realize a wider vision of community change which was not possible before. Thus New Dawn is both pushing and being pulled into this new position for the organization.

How Has New Dawn Changed

Interpretation of the Problem

New Dawn's perception of the problem facing the community has changed significantly since its inception. At the beginning the problem of the community was considered to be economic. There was a lack of jobs in the community. The solution therefore was to create new jobs. The interpretation of the problem went deeper than that, however. Ownership was also considered a key factor. New Dawn was a response to failed government programs that tried to attract large corporations from the outside. These corporations usually left after their tax benefits ran out; they had no commitment to the community. Thus New Dawn also was concerned with rooting businesses locally, there had to be community ownership.

In this interpretation the social and cultural aspects of the community were the goals of the business endeavours. That is, business was engaged to support the cultural and social aspects of the community. The culture, in terms of its art, music and values, the way of life, had to be preserved. It was something that needed to be 'saved' and supported. Furthermore, the culture, the communal relationships, also provided the tools for engaging in effective business ventures. The social networks, or social capital in the community were used for business advantage. Thus, by using the community as a business tool, the community would also reproduce itself and preserve the local way of life.

New Dawn's modern interpretation of the community, after 25 years of experience and thought, has partly questioned that reification of community. 'Community', the way of life, local culture and local values is still held as the goal of the organization. But, the culture of the community is also being questioned as an obstacle to community development. MacSween argues, "Cape Breton does not have economic problems, it has a cultural problem." That is, part of the reasons why the community is unable to overcome the economic problems is because of the culture and heritage of the community. The effect of absentee owners and government has made the community suspicious of all leaders. The Celtic heritage, what MacSween (1995) calls the 'highland curse' creates a sense of foreboding, of impending doom. The working class culture is also suspicious of wealth and too much success. Maroun points out that "there is one thing Cape Bretoners hate more than failure, that's success." Thus for New Dawn, the modern interpretation of the problem of the community is cultural. The inability to organize, the suspicion of leadership and the infighting are components of the culture which are part of the problem. New Dawn claims that the community needs to change its attitude. In the original interpretation the community was conceived as the goal and the means of the organization. It remains so but is also recognized as part of the problem facing the community. As MacCormack states, "we have seen the enemy and it is us."

Vision and Mission – Clarification

How has this change in the perception of the problem altered the vision and mission of the organization? Has the purpose of the organization changed? During the period of this research project New Dawn was going through a visioning process to come up with a new mission statement. Those changes are examined in this section.

To start, it may be useful to look at New Dawn's original mission statement which I will repeat here:

New Dawn Enterprises is a community development corporation committed to establishing and operating locally-based ventures that contribute to the creation of a self supporting community.

Clearly business development is the focus of this mission statement. In fact the statement contains both their vision 'a self supporting community' and the mission 'to establish and operate locally-based ventures'. New Dawn creates businesses to achieve their vision of a self supporting community.

New Dawn's current assessment of the needs of the community, however, go beyond business development. Thus this mission statement is not reflective of the organization's current thinking of itself. MacSween in 2001 recognized that the mission needed to change to better reflect the organization:

The current mission is to build and operate locally based ventures. I think we are willing to adjust that. I think we keep adjusting the expression of why we are here. The goal doesn't change, it just becomes clearer.

Thus for MacSween the goal or the mission of New Dawn is becoming clearer. For instance, at the 2002 board of directors planning session, it was agreed that the mission statement had to be refined; it had to move away from explicit identification of business start-ups to a more general statement of 'rebuilding the community' (New Dawn, 2002).

There is recognition that creating businesses was not New Dawn's mission, but simply one strategy to achieve their mission. However, for 25 years it was the only strategy they had the capacity to carry out. The strategy was, thus, conflated with the mission. New Dawn has now reached a point where through that strategy, by creating businesses and accumulating assets, it now has the capacity to add other strategies to achieve the mission. This however requires that the mission be expressed clearly.

The visioning process that started with the 25th anniversary in 2001 culminated in a new mission statement in 2003. The new mission statement, adopted by New Dawn on March 7, 2003, reads:

The purpose of New Dawn is to engage the community in the creation of its possibilities.

The new mission clearly expands the role of New Dawn beyond its traditional role of business development. There is a concern for including a wider community vision into the mission of the organization. This mission identifies a leadership role for New Dawn. New Dawn will lead in engaging the community. Community participation, therefore, is also a key component of this mission. New Dawn will have to build community

solidarity and include as many people in the process as possible. New Dawn, under this mission, is also presenting a challenge to the community, to 'create its possibilities'. The mission explicitly states that this is the role of the community and not of New Dawn. New Dawn is to lead in that it presents this challenge to the community. Finally, the 'possibilities' of the community are not specifically defined. They are left open for interpretation. Thus New Dawn opens its field of scope to economic, social and cultural activities.

Strategy

Although the new mission has just recently been expressed, New Dawn's strategies have already been changing. In the context of the identified community needs, New Dawn is beginning to alter its methods of interaction with the community. For instance the report from New Dawn's board of director's 2002 planning weekend states that "The board was ... very clear on the overall direction New Dawn should take as the community struggles to make the transition from its old industrial base to a modern, diversified economy. It has endorsed a bold and brave position – to lead in this transition" (New Dawn, 2002).

Thus New Dawn is moving towards a role of explicit community leadership rather than the background role of starting community businesses that it has maintained in the past. In the past New Dawn has had a very modest approach to the community. Margie Gillis feels that New Dawn has not been "flamboyant ... about their position and role in the community." Rather, as Gillis further explains, they have been "very careful, very calculated and very strategic about how they connect with the community." Given the hostility to leadership found in the community, this was a very purposeful and thoughtful position.

New Dawn, however, has identified a lack of an 'institutional ability for leadership' in the community. Thus, for MacSween, the only solution is that "New Dawn has got to lead." This is a role that MacSween and New Dawn feel uncomfortable with, but see as necessary. As MacSween indicates, rather than trying to stop such a conversation and resist such a suggestion, he now feels that "we should have that conversation", New Dawn should consider its leadership role.

Thus New Dawn has begun to develop new strategies that address this need in the community. These new strategies for New Dawn are symbolized by the introduction of

the New Dawn Foundation, which as MacSween states, is the 'home' for those new activities.

New Dawn Foundation

In 2001, on the occasion of its 25th anniversary, New Dawn announced the establishment of the New Dawn Foundation. The Foundation is a new branch of New Dawn which was formed as a charity and serves as a means to accept charitable donations for New Dawn. In its first year it received two large donations as well as a number of smaller donations totalling \$250,000 (Can). Functionally, the Foundation simply provides for another stream of income for New Dawn. Symbolically, however, the Foundation is the embodiment of New Dawn's expanded strategies under the new mission. The purpose of the Foundation continues to be debated at time of writing. However, it was broadly conceived of as the 'home' for New Dawn's new leadership and community interaction activities. In many of the interviews the conversation quickly turned to the Foundation as there is much excitement within New Dawn about these new activities. The Foundation, at this early stage in its development, is thought of as a communicative or educational instrument by New Dawn members. It is seen as a tool for leading a visioning process in the community.

The activities of New Dawn through the Foundation are based upon New Dawn's assessment of community needs beyond business start-ups. We recall that New Dawn identified its role in developing the community as including calling forth leadership in the community and creating community dialogue to develop a community plan. The Foundation is the home for these activities as well as being symbolic of New Dawn's answering the call of leadership.

The activities of the Foundation have not been fully defined as of yet, but a number of initiatives have already taken place under the umbrella of the Foundation and are being planned. For instance, the conference that celebrated New Dawn's 25th anniversary was an activity of the Foundation and also served to publicly begin some of the dialogue New Dawn intends to develop further. New Dawn feels that the conference announced New Dawn's intention to play a more prominent role in the community. Furthermore, during New Dawn's anniversary year, it began two processes of community dialogue. First, New Dawn began a series of focus groups within the community based on various topics and involving various interest groups in the

community. Second, it commenced a series of personal interviews with prominent figures in the community from business, politics and other areas, including critics of New Dawn. The purpose of these dialogues was to provide a safe place to talk and begin to involve community members in the dialogue of the community's future. Other potential strategies New Dawn envisions under the Foundation include further conferences and seminars, communication media, and funding research in the community.

Mike Maroun sums up the role of the Foundation:

What I think the Foundation is going to do is compensate for some of that uneven development that has likely caused by external forces. You are dealing with a community with very little leadership and organizations, so the Foundation is really trying to get people to come to a leadership role or to begin dialogue so that there will be organizations coming through to help the community.

The Foundation thus, functions to fulfill New Dawn's new mission, to engage the community, to develop its leadership capacity and through that, realize some of the potential in the community. In a sense the Foundation is the core of the 'new' New Dawn. The Foundation is the expression of the deeper purpose of New Dawn which is now being realized. MacSween feels that "you can't talk about the Foundation without talking about the purpose of New Dawn."

Excitement over the Foundation: Is it shooting real bullets?

As noted earlier, there is tremendous excitement in New Dawn over the Foundation. There are great expectations of the possibilities and the new focus for New Dawn which it represents. There are, however, some reservations over the Foundation. During the interviews I asked a number of respondents whether there was too much excitement in the Foundation, whether it was 'shooting real bullets'? Norma Boyd cautions that the Foundation cannot be allowed to become a 'philosophers paradise', it must be used to "harness [the energy of dialogue] and to move it into action."

MacSween is quite clear that, for him, the new leadership role of New Dawn represented by the Foundation is 'real bullets', it is something that is necessary and has to be carried off. MacSween states that the work of New Dawn represented by the Foundation is "important work, that's critical work that is not being done." Because

New Dawn is in a unique position due to its analysis of the community to identify this need in the community, they are the ones who feel responsible to provide it. Finally, MacSween relates the need for the Foundation to the continuing crisis in the community.

If we keep going the way we're going, it's too slow, it's too slow. The Foundation is all about how we can move further faster.

The Foundation is a recognition that New Dawn, on its own, through establishing community businesses, cannot 'save' the community on its own. The whole community has to participate. The community has to organize and leaders have to come forth and take on that responsibility.

New Dawn has drawn upon the positive aspects of the community to achieve its current success. These assets include social networks and local commitment. However, it now finds itself in a position where it has to question an overly romantic perception of community. The negative aspects of the community are becoming clearer and need to be addressed. These negative aspects include deep political divisions and a distinct lack of leadership within the community. Thus, bringing the 'whole community' together is a serious challenge that New Dawn has to face.

The Foundation is an attempt to organize and recruit leaders in the community to that task. The new focus of New Dawn and the establishment of the Foundation to get more resources in through charitable donations is a recognition of the urgency of the situation in the community. It is no longer adequate to lead by example, New Dawn feels the pressure to actively organize and call forth other leaders in the community to participate in the task. Whether or not New Dawn's new direction and the Foundation in particular will be able to pull off this feat remains to be answered.

Conclusion

New Dawn is an organization designed to respond to the needs of a depleted community. This entails a strong commitment to community which is enshrined in both the legal structure and the organizational culture of the organization. The organization clearly has a deep connection to the community through its understanding of the community, its value base and its culture. It operates in a depleted community which is

in crisis. That crisis is creating an imperative for change both within the community as a whole and, consequently, within the organization itself. The recent changes in New Dawn are attempts to respond to the changing and pressing needs of the community. These changes are being made because of the imperative of New Dawn's basic principles and values: to help the community.

MacSween sums up the role of New Dawn in the community in terms of the sense of urgency and the sense of responsibility it has:

We are dying, the community is dying, Cape Breton is dying, the clock is ticking. So the reason we are all here is how in the hell do you stop this. And this is why it's exciting, there isn't any theory. There isn't a theory. All where we are coming from is this moral imperative.

The purpose of this research project and the issue of the following chapter will be to begin the construction of theory to describe the outcomes of, and help guide that moral imperative.

CHAPTER VI: COMMUNITY BUSINESS
CORPORATIONS

Small Town Wind

Duncan Wells

*The wind is blowing by and it rattles the barn door
Jingling the chains on the wall
The kids are coming home from the big town
Tomorrow they'll be dancing in a small town hall
Talking on and on about the big town night life
As all the children listen with delight
And when they're old enough they're going to go there
And return when that wind blows by*

The tide is coming in with the wash and the driftwood
Lovers holding hands along the shore
Remember when we used to go there
Till one day came we didn't go anymore
Bought a train ticket with the money that we saved
Not knowing when we'd come this way again
But every mother knew like I now
We'd return when that tide came in

*Oh that breeze may blow right through you
With a breath you recognize
Some strange deja vu frustration
You've been stuck with through this life
There are rooms, there are cages
There are diamonds in that hole
But we all fall to our places
I guess that's what brought me home*

And if they do good they might return in September
But money doesn't always rule a life
Especially if you live in our town
Here where that wind blows by
Especially if you live in our town
Here where that wind blows by

Introduction

Given the exploratory nature of this research project and the use of grounded theory, the purpose of this chapter is to explore the issues that emerged out of the examination of the case studies. In this chapter, using the New Dawn example, and through reflecting on Mondragon, I will develop a theory of community business corporation development. In this respect, a number of issues emerged from the data in the analysis. First, in both of these cases there was a unique process of entrepreneurship associated with community business. In both the current and historical literature and interviews, the organizations were quick to acknowledge the input of their founders. Secondly, in looking at the formal documentation on the organizations, it was clear that the legal structure of the organizations was an important theme. A third subject, leadership, was raised in the interviews as an important aspect of the organizations. Furthermore, many saw the issue of leadership as an issue that will become more important over time as the organization struggles to pass on its legacy to new generations. Finally, the relationship between the organization and the community emerged as an important issue. Within this subject there were a number of different aspects including the role of the organization in the community and expectations of 'successes. Finally, the transportability of these successes is also taken up in this section.

Processes of Emergence

How have the business organizations we have looked at in this thesis developed in the context of such hostile business environments? How have they emerged from the depleted community? The examples used here suggest that there is a unique form of entrepreneurship that operates within depleted communities which can engender community economic development. Both the Mondragon and the Cape Breton examples point to the key role played by the entrepreneur, Arrizmendiarieta and MacLeod respectively, in developing the community businesses. In this section I will look at the unique form of entrepreneurship which occurred in both these cases. The argument here is that the form of entrepreneurship is linked to its environment, the depleted

community. Both Arrizmendiarieta and MacLeod emerged out of and had a particular connection to their community.

What is unique about the form of entrepreneurship witnessed in these two cases? Significantly, both the process – entrepreneurship - and the agents - Arrizmendiarieta and MacLeod - are based within a particular communities and particular concepts of community. The process of entrepreneurship demonstrated by Arrizmendiarieta and MacLeod, because of its basis in the community and focus on business solutions to community problems can be called *community business entrepreneurship*.

Because of the connection with their respective communities Arrizmendiarieta and MacLeod were able to sense a need for change. The social ills they were witnessing within their communities were felt on a communal rather than a personal basis. That is, it is because of the strength of the community that the depletion was thought of as a communal problem rather than an individual problem. Such a social consensus means that there were different approaches to the problem available. The community could face the problem of depletion together, rather than as individuals. Thus the perceived need for change that was felt at a communal level was critical for Arrizmendiarieta and MacLeod to begin a process of change. In both cases, these entrepreneurs were able to express that communal sense of need to stimulate action. The problem being faced was the disappearance of the community. There was a perceived threat to their culture, to their way of life. That threat was economic in nature, there were no jobs and people were moving out of the community. This was the spark that initiated action. When Arrizmendiarieta returned from the war he saw his community in despair; MacLeod similarly, when returning from his education found his community in a state of advanced decline. Their absences from the community allowed Arrizmendiarieta and MacLeod to see the extent of the depletion occurring in their communities.

As well as being able to perceive the problem as a community problem, Arrizmendiarieta and MacLeod also drew their values from the community. In both communities there was an importance placed on social relations, solidarity, and local culture. Thus both Arrizmendiarieta and MacLeod had very communitarian values. If something was going to be done, it had to benefit the whole community. Finally, the resources Arrizmendiarieta and MacLeod used in their projects were based within the community. That is they found both the financial and human capital required for development within their communities.

Both entrepreneurs tried to lever the importance of *place* to rejuvenate *space* through the application of business techniques and practices. Much of the innovation has been rooted in variations in the form of business – its organizational structure. The approach was to tap underutilized and unused resources available in depleted communities. While we will look at the innovations in organizational structure found in these examples in the subsequent section, the following section examines the community business entrepreneurial process in more detail.

Community Business Entrepreneurship⁴³

While community business entrepreneurship shares many traits with traditional entrepreneurship (innovation, vision, teambuilding, tenacity, etc.), the processes differ in terms of the beneficiaries of these activities and in terms of the choice of locations. Entrepreneurship traditionally founds profit-seeking business ventures; if successful, these initiatives will likely benefit the host community by providing stable jobs and increasing wealth. Community business entrepreneurship evaluates wealth in terms of the benefits accruing to the broader community rather than as personal profit. The purpose of these initiatives is different and over the long run that distinction becomes evident. Traditional entrepreneurship aims to provide personal gain and profits for the entrepreneur; community-based entrepreneurship aims to create community benefits.⁴⁴ From this point of view, based on its goals, community business entrepreneurship may be thought to resemble social entrepreneurship. However, as a key characteristic of social entrepreneurship, Dees (1998) identifies ‘the need for a substitute for the market discipline that works for business entrepreneurs’. Clearly, community business entrepreneurship develops organizations that are embedded in, and use, the market, albeit in different and novel ways. Community business entrepreneurship, therefore, can be distinguished from social entrepreneurship because it is focused on business organizations rather than charities, social ventures and purely social organizations. The

⁴³ The following section on community business entrepreneurship is based on a co-authored paper. See Johnstone and Lionais (forthcoming).

⁴⁴ The point here is not to deny that traditional entrepreneurs may have social goals and motivations as well, but to highlight the primacy, and the community perception of the primacy of the social motivations of community business entrepreneurs.

process of entrepreneurship evident in Mondragon and New Dawn is neither, entrepreneurship in the traditional business sense nor social entrepreneurship as commonly understood in the literature. It employs the tools of the former with the goals of the latter.

Earlier studies have identified the role of the community entrepreneur in local development (Johannisson and Nilsson, 1989; Cromie et al., 1993, Boyett and Finlay, 1995). Their conception of the community entrepreneur, however, differs from the conception of the community business entrepreneur being developed here. Johannisson and Nilsson (1989) and Cromie et al. (1993) for instance, describe community entrepreneurs as catalysts and brokers who share their extensive networks with traditional entrepreneurs, helping others pursue opportunities and create new ventures. Community entrepreneurs, in their assessment, do not engage in venture development directly, they assist but are not central to the entrepreneurial process. Thus, the community entrepreneurs are part of the 'soft' network structure (Malecki, 2002) or 'entrepreneurial social infrastructure' (Flora and Flora, 1993). By contrast, community business entrepreneurs are at the centre of the entrepreneurial process, it is they who perceive the opportunities and activate their networks to achieve the objective.

Both community entrepreneurs and community *business* entrepreneurs have wider social goals such as the development of the entire community (Johannisson and Nilsson, 1989, Cromie et al., 1993). The notion of 'community', however, is used uncritically in the description of community entrepreneurship by these same authors. By contrast, I want to make a direct link between the community and the form of entrepreneurship it engenders. The concept of community as a localized network of meaningful social relations is central to the conception of community business entrepreneurship. 'Community' is not only the location of the entrepreneurial process but also the tool – using social networks – and the goal –improving the quality of life – in community business entrepreneurship. That is, community entrepreneurs in the Johannisson and Nilsson sense have social motivations for creating traditional businesses. Community business entrepreneurs, by contrast, have social motivations but create community businesses to achieve these social goals. The next section examines some of the features of community business entrepreneurship that make it distinct.

Unique features of community business entrepreneurship

What opportunities does the depleted community provide for community business enterprise? Although the barriers to development (finance gaps, labour skills gaps, lack of business support institutions, etc.), are similar to those faced by traditional entrepreneurs, community business entrepreneurs can adapt in a variety of ways to overcome these obstacles.

First, community business entrepreneurs can accept unconventionally low rates of return on their projects because personal profit is not an objective. The screen applied in community business entrepreneurship seeks community benefit *and* economic viability rather than high levels of return on investment. Therefore, the perception of opportunity differs from that of a traditional entrepreneur and the potential for displacement (Leeming, 2002) is reduced.

Community business entrepreneurs also have a wider choice of organizational forms to employ when doing business. The traditional entrepreneur is limited to for-profit organizations if he/she is to make a return. Community business entrepreneurs, in contrast, can employ a number of different organizational forms to achieve their objectives including not-for-profit entities, as long as they are structured for community benefit rather than for individual gain.

Furthermore, once a project is undertaken, community business entrepreneurs have a different set of resources to call upon to achieve their goals. Among these resources is access to volunteers. Community business entrepreneurs are able to engage volunteers in support of their projects because of the community benefit associated with the activity. By contrast, very few people would volunteer to help an entrepreneur who is looking to make a personal return on a business venture. Not only do community business entrepreneurs have access to significant volunteer time, but much of this comes from skilled technicians, professionals and business people. Thus community business entrepreneurs can secure both volunteer labour and *pro bono* professional advice.

Community members also have a role in mitigating risk in a community business. Both traditional entrepreneurs and community business entrepreneurs engage the market in their activities and both are susceptible to the risks inherent in the market. In a crisis volunteers can ameliorate the effects of market changes. Certainly in the case of Greg MacLeod, volunteers helped New Dawn Enterprises emerge from periods of crisis in its early years.

Another resource available to community business entrepreneurs is access to capital from non-traditional sources. Depleted communities have a reduced availability of traditional venture capital (both formal and informal) (Johnstone and Lionais, 1999). Community business entrepreneurs can overcome this by convincing local people, who would not normally invest in private businesses, to invest in their community businesses and organizations. For instance, in the case of New Dawn, members of the community and New Dawn loaned money to the organization to finance start up costs.

Similarly, community business entrepreneurs can attract customers who will buy from community-based organization in preference to other (often non-local) organizations. Kilkenny, et al. (1999) established that communities will reciprocate. That is, members of a community will extend customer loyalty to a business that they perceive is contributing to their community.

Community business entrepreneurs in the depleted community

A strong commitment to place enables community business entrepreneurs to marshal a number of financial, professional and labour resources around community-based projects that would not be available to other, more traditional, entrepreneurs. That is, community business entrepreneurs use the assets of community to overcome the obstacles of depletion.

It is worth noting that both Arrizmendiarieta and MacLeod had been formally educated elsewhere. This suggests that their networks were not limited to the locality. It is also interesting to note as well, that both had formal roles of respect and authority within their communities - priests and university professors. Furthermore, the formal roles they had in the community were roles imbued with trust. Their ability to mobilize resources depended on the trust, which others placed in them. Members of the community didn't have to worry that they were being 'used' by these individuals for personal gain. The trust invested in them by society increased the value of their social capital (Bourdieu, 1986) which they effectively levered to achieve their desired outcomes. Precisely because these entrepreneurs operated in spheres outside of dominant capitalistic relationships based on profit motivation, they were able to lever social capital and trust to achieve their goals.

While relying on their formal roles in the community to access needed resources, they also had to step outside those roles. Priests don't usually start businesses and

banks. We do not normally associate the clergy with entrepreneurial behaviour. It is only by stepping outside society's perception of their traditional roles that Arrizmendiarieta and MacLeod as individuals became the triggers for entrepreneurial processes. Their formal roles added credibility to their proposals. Community business entrepreneurs thus appear to depend on their formal roles in the community to access trust and resources but they must step outside the traditional perception of that role to trigger entrepreneurial activity.

Stepping out of the role, however, can act as a further trigger for more people to become involved in the community business process. Certainly in New Dawn's case, there is a second generation of participants who are attracted not to MacLeod's ethics as a member of the clergy, but rather to New Dawn and MacLeod as an effective organizer within the community. Thus, now that he has proven himself in the community business arena, people who would otherwise not be involved in such community activities have come on board. For instance, one new board member commented that while twenty years ago, he would not have wanted to be a part of the organization, he now feels quite proud of his connection. Because New Dawn has proven itself as a business and as being an effective organization, the member was now eager to take part.

Entrepreneurship - Conclusions

While conditions in depleted communities can limit possibilities for traditional development, entrepreneurial responses are not similarly constrained. In these settings, the entrepreneurial process can be modified to pursue community goals, thereby making new forms of development possible. Individuals who are determined to engage in enterprising behaviour within the context of a depleted community will adapt and find appropriate tools for business development. In Mondragon and New Dawn, adaptations that modified the entrepreneurial process included:

1. Identifying and gaining access to new sources of capital,
2. Tapping into the significant value-added contributions of volunteers, and
3. Modifying the business structure to ensure pursuit of community benefit over personal gain.

Unlike social entrepreneurs who rise *in situ* and must proceed without the benefit of a conventional business infrastructure (Leeming, 2002) community business entrepreneurs take full advantage of conventional business infrastructure, established

know-how, expertise and networks. Community business entrepreneurs realise the value of established business practice in pursuing their goals and, where possible, they adopt those practices. Thus community business structures can emerge out of the depleted community.

In chapter I the constraints on development in depleted communities were outlined. It was argued that if development was to occur at all, it was likely to be based on an alternative model of development and use novel resources. In the two cases studied here, we can see how particular examples of such an alternative development can emerge. The entrepreneurial process in depleted communities must use the assets of the community to overcome the gaps in traditional development factors.

One can question, however, how place specific these entrepreneurship processes are. The strength and vibrancy of the identity of the Basque and Cape Breton communities is the basic component of the factors which enabled these community businesses to emerge. That is, the process of community business entrepreneurship is community specific in that in each case it is rooted in the local culture. MacLeod and Arrizmendiarieta had to know the quality of the local resources and community spirit in order to effectively use it. Such knowledge is only available to insiders in the community as there are significant levels of trust and local knowledge required. Thus, this entrepreneurial process is, of necessity, endogenous and community specific.

The values upon which these community specific processes are based, however, are more general. In both Mondragon and Cape Breton, the entrepreneurial process was based upon a wider philosophy of community. We can see in both of these cases that the value base was similar, a desire to do good for one's community. Moreover, community business entrepreneurship institutionalizes these values in organizational structures; the form of the community business corporation. Although the process is of necessity community specific, the values it is based on and the tools they use have commonalities. It is these commonalities that point to a transferable aspect of the community business model. Organizational structure is a key innovation in both cases. In the next section we will explore the structure of the community business corporation as a common and critical innovation exhibited in the entrepreneurial process in both Mondragon and Cape Breton.

Institutionalizing the Community Businesses

The last section looked at the processes of entrepreneurship that occur in depleted communities. It was argued that this process is a unique form of entrepreneurship specifically adapted to the assets and limitations of the depleted community. The outcome of that process is a community business corporation. In this section we will examine particular aspects of the community business corporation which are adapted to the depleted community. We will focus on the structures adopted by the founders that help the organization respond to the depleted community.

The organizational structure regulates the business, creating limits and enabling certain activities. The structure enables the business to respond to the depleted community. In reference to New Dawn in particular, MacSween (1995) notes that "the underdevelopment of Cape Breton is attributable to the structural limitations of traditional business enterprise. New Dawn, on the other hand, embodies a new and different structure, a structure which enables the community to effectively organize its resources so as to achieve social, cultural and economic growth." Thus he argues the structure enables the community to participate.

The structure is also limiting. The structural limits of community businesses are enacted to protect the nature of the firm, to keep the firm community-centred. For instance, MacLeod's approach in organizational design was to "legalize as much as you can." MacLeod used the legal structure to ensure that the purpose of the organization was maintained. In the Mondragon and New Dawn examples we see innovations in the business structure designed to protect and enable this communitarian vision. It is not my intent here to examine the benefits of one particular form of organizational structure⁴⁵, but rather to examine aspects of organizational structure that addresses the problems of the depleted community.

There are three common aspects of organizational structure we can see in New Dawn and Mondragon. They include 1) a basis in wealth creation; 2) community ownership structures; and 3) community purpose. Each of these structures protects the values of the organization. In this section we will examine how these structures are adapted to the needs of depleted communities.

⁴⁵ In fact, such an analysis is impossible using the cases presented as they use very different organizational structures. They do, however, have structural commonalities which contribute to their ability to respond to the depleted community.

Wealth Creation

A very obvious, but also very crucial aspect of the organizational structure is that a business structure was used. This differs from many community development projects that use non-profit⁴⁶ forms or organization: societies and charities. In both Mondragon and Cape Breton the economy was seen as the base problem. Therefore it is not surprising that they used business rather than social organizational structures to address the problem. Arrizmendiarieta and MacLeod believed that the key agents of change in society are business institutions (rather than the family for instance) and therefore, their social reformation visions were based in business organizations.

Furthermore, wealth creation is necessary for the organizations to be sustainable. Without a self supporting structure, the organizations would be dependent on public or private charity. MacLeod, in particular felt that 'charity is endless' and that there was a need to create a self-supporting organization. Otherwise too much attention and energy is spent on finding the next funding source. Without a wealth creating structure, long term sustainability is put at risk. For instance in the cooperative complex in the Evangeline region of Prince Edward Island (PEI), the central cooperative council is in risk of closing because it can't secure funding or legitimacy within the cooperative community (Lionais, forthcoming). The lack of self-financing has threatened the existence of the council and the future development of cooperative businesses in this region. This crisis in Evangeline was brought on by a change in funding policy in 1994 which meant that Evangeline had to compete for its core funding rather than the guaranteed funding it enjoyed previously. The Evangeline case demonstrates the perils of reliance on public funding. Such a strategy for community development threatens the sustainability of the project within the context of changing governments, policies and commitments to losing regions. In fact, Hayton et al. (1993) report that in the Scottish context there is an inverse relationship between the amount of support available and

⁴⁶ The difference between non-profits, not-for-profits and for-profit organizations should be noted. Non-profit organizations are not able to make profit legally. They are structured without any expectation of self sufficiency. Not-for-profit, which New Dawn is an example of, is allowed to make a profit but it is acknowledged that profit is not the main pursuit of the organization. Not-for-profit organizations typically enjoy tax benefits because of this status. Finally, for profit entities, such as Mondragon, exist primarily, from a legal perspective, to make profit. Mondragon has adopted this profit-centred structure to include community purposes as well.

community business success. That is, community businesses which rely on government funding tend not to be effective.

By using a business model, New Dawn and Mondragon have been able to focus on more long term goals. Although the businesses had to compete and be viable on the market, the model enables a more secure stream of revenue and the ability to increase the capacity of the organization. Using a business model enforces a market discipline in the organizations. Thus using a business model creates a more efficient organization while at the same time, freeing it from the fickle perils of public funding.

Furthermore, the social nature of the business augments the business advantage. The effect of reinvesting profits into the organization, rather than having them escape through dividends and bonuses, allows for a snowball effect. The capital builds up without leakages. As wealth is built up within the organizations and the organizations grow, the capacity to effect change within the community also grows. For instance, after 25 years of building capital, New Dawn now feels that it has the capacity to take on additional tasks in fulfilling its mission. Wealth creation thus increases the ability of the organizations to achieve their goals at an increasingly greater scale. Thus, a business model allows the organizations to increase their impact on the community.

Ownership

A second structure that links community business to the depleted community is the form of ownership within the organization. Although wealth creation was seen as a key component of their vision, Arrizmendiarieta and MacLeod did not agree with how that wealth is usually shared in business organizations. Both felt that there was a problem where excessive wealth accrued to a few individuals without any consideration to the claims on wealth that workers or the community had. Thus they designed business organizations that recognized wider claims on wealth.

The ownership structures of both Mondragon and New Dawn root the organizations and their wealth within the local community. The ownership structures ensure that the profits of business remain in and are invested in the community. The type of ownership displayed in these cases is communal. That is, ownership is general rather than specific.

As a worker cooperative, much of the ownership in the Mondragon system is based on participation in the workforce. Mondragon, however, differs from traditional worker cooperatives in a number of ways. As demonstrated in Chapter IV, it is not a pure

cooperative, but also displays aspects of community business. It is these community business aspects of the structure that make Mondragon unique. In terms of ownership, a firm in the MCC system is owned partially by the workers and partially by the community; the reserve equity of the firm being held in trust of the community. Furthermore, because workers' individual accounts are capitalized until retirement or departure from the firm, the worker's capital assets are, in essence, lent to the community during the time the worker remains at the firm. These assets are re-invested for the benefit of the community as a whole rather than to benefit the individual in particular. Thus, Mondragon is innovative, in terms of worker cooperatives, in that it transfers much of the ownership from the worker to the community. This ownership structure addresses many of the traditional weaknesses of the worker cooperative. Traditional worker cooperatives often fall into the trap of collective egoism. The workers seek to maximize their gains without any mechanisms to ensure that the whole community benefits. The commitment to the community and to long term goals in Mondragon is enforced by the ownership structure.

In New Dawn the history of development was different. New Dawn emerged out of a number of community-oriented societies and charities. MacLeod and his team were looking for a more business-like approach but rejected the cooperative form for the very problems associated with it which Mondragon was able to negotiate around. Thus MacLeod used a more traditional business approach (incorporated company), but took advantage of a novel form of company legislation (company limited by guarantee) on to which a not-for-profit designation was attached. In terms of ownership, and in contrast with Mondragon, New Dawn was wholly owned by the community. In fact, in New Dawn, it is more accurate to talk about trusteeship rather than ownership. Ownership does not exist in New Dawn. The organization acts as a trustee of the community.

Broad community ownership of the business ensures that the community has the rights to the profits of the operation. Community ownership roots the wealth creation aspect of community business to the particular community. The benefits of the business are reinvested into the community for further development.

Thus, a key aspect of community business is broad community ownership. That is, the organizations must be operated, at least in part, in trust of the community. Thus the community, as an entity on its own, rather than a list of individuals from the community, must have an ownership stake in the organization. Community ownership

helps root the organization in the community by reducing or eliminating the possibility of selling and moving the organization outside the community. Broad community ownership creates an immovable asset in the form of the community business enterprise.

Community Purpose

Community purpose is very dependent on the ownership and profit distribution structures of the organizations. Because personal profit and capital flight is eliminated, the community commitment of the organizations is allowed the room to move to the front. The particular articulation of the community commitment is spelled out within the formal documents of the organizations. In New Dawn it is written into the articles of incorporation. In Mondragon the community purpose is written into the basic principles which each member cooperative must adhere to. Having the purpose of the organization written into the legal structure enables community-minded people to engage with the organization to achieve community-minded goals.

The community purpose of these organizations addresses the problems faced by the depleted communities in which they were started. The concerns of the community are taken on as the concerns of the organization. These organizations are different from traditional businesses not only in their ownership structure, but in their purpose. The mission is to benefit the whole community. This community purpose is a novel purpose for conducting business activity.⁴⁷

Community business corporations, such as New Dawn and Mondragon are established in response to depletion. The community purpose is established because of a concern for a particular community. It is not surprising, therefore that such organizations respond to the needs of the depleted community. The legal documents of the organizations institutionalize that community purpose. They are written to guide the organization, to limit the activities of the organizations to those that benefit the community. These legal boundaries create a moral purpose in the organization.

As well as limiting the activities of the community business, the community purpose written into the legal documents is also an enabling factor for the organization. Such

⁴⁷ Although MacLeod (2002) would claim that community benefit is the historic purpose of any incorporated body. Incorporation, argues MacLeod, is a privilege extended to groups in expectation of public service.

formalized community purposes enables community members to participate in the organization without fear of exploitation. Thus the community purpose activates the social capital available in a depleted community by triggering dormant community assets such as volunteer labour and skills as well as financial capital and equipment. The community purpose allows the tangible and intangible assets of the community to be used collectively in an organized fashion for the benefit of the community without fear of individual penalty or exploitation.⁴⁸ Just as people will participate based on the trust they have in the entrepreneur, people will participate based on the trust they have in the community businesses they create. Several of New Dawn's board members, for instance, indicated that they were attracted to the organization not because of the reputation of Greg MacLeod, but because of the reputation of New Dawn itself. This collective use of individual community assets is perhaps the largest competitive advantage of the community business model.

Through these elements we can see how the structure of the organizations protects the values and purpose which the entrepreneurs envisioned. The structure ensures that the businesses must be self supporting, they must create wealth. The structure ensures that most of that wealth creation is re-invested in the organization, creating a powerful instrument for building institutional capacity. Furthermore, the structure ensures that the organization is locally rooted and works for the benefit of the community. It both limits the degree to which the organization can stray from its purposes and enables people with similar principles to engage with it without fear of exploitation. In these cases, the importance of formal documents (articles of incorporation, principles of action) in regulating the purpose of the organization over the long term has been demonstrated. In both Mondragon and New Dawn we can see effective business structures which protect the social visions of their creators. The organizational structure works in concert, combining business rationality and social purposes.

⁴⁸ It should be clear, however, that this organizational structure does not eliminate business risk.

Maintaining the vision

The outcome of the entrepreneurial process is an established community business firm. With institutionalization and formalization, however, there are certain risks. For instance, there are risks associated with degradation of the social purpose of the organization. A community business balances community/social goals with business goals. In fact, the entrepreneurs involved here (Arrizmendiarieta and MacLeod) talk not about a balance but of a new form of entity which is the community business. In their conception, business and community can be in harmony, not at odds, within a community business corporation. They saw a synergy between community goals and business tools. This is evidence of a clear and innovative vision of the projects.

The vision that these entrepreneurs held is generally one of community economic development. Their visions were linked to a goal of a self sustaining community. They saw a need to protect a localized group of people, a culture and community that was important to them. Their analysis of the problem led them to develop a community business approach. That is, they saw that their approach to the problems they faced was based on locally rooted wealth creation. Their vision, however, went beyond the simple development of jobs and businesses in their communities. They felt that the organizations that they created had to speak to the very causes of depletion in their communities. Thus, the organizations they created had a social reform mandate that contested mainstream economic thought. They felt that the organizations they developed had to have a commitment and responsibility to the local community beyond that of the traditional enterprise.

This vision is of vital importance to the organizations they established. The vision provides a clear guide for action. The organizations that these individuals started, however, run counter to mainstream wisdom and models. Therefore there is a lot of pressure from the mainstream economy to conform to traditional forms and practices. A clear vision should provide the guidance necessary for the organization to achieve its goals.

Arrizmendiarieta and MacLeod designed innovative organizations that reflected this vision. To protect the original purpose and entrepreneurial vision they created effective structures to limit the amount that the organization could be pulled away from its original purpose. We have seen that these structures have been effective in maintaining the longevity of the purpose and viability of the organizations. MacLeod

acknowledges, however, that you can't legalize all the aspects you want to, 'there will always be trust'. Thus, the balance between social and business goals still has to be maintained. The structure adds one support to the balance, but it cannot maintain it on its own. Often the entrepreneur's leadership and participation within the organization is needed to maintain the balance. However, this runs the risk of over-essentializing the entrepreneur. The organization may become over-reliant on the energy of the entrepreneur. This can be seen in other cases in CED where the departure of a key figure is often the beginning of the demise of the organization.⁴⁹

Therefore, it is important that non-structural supports are also developed to carry on that long-term support of the vision. Such supports can be found in the organizational culture. In this section we will examine how those parts of the vision that cannot be legalized, are maintained.

Perry (2001b) has described the balancing of community concerns and business practice as the existential conflict in communitarian economics. Arrizmendiarieta and MacLeod, however, while recognizing the challenge, envisioned structures which were not in conflict but in harmony. Business practice, in their approach, can be used for community purposes. This clarity of vision, however, can be lost on the departure of the entrepreneur from the organization. Thus there is a need for mechanisms to carry on and reinforce the vision over time. This can be achieved by developing an organizational cultural that embodies the vision.

A key component of organizational culture is the character of its leadership. Certainly for community business, leadership is a crucial factor of success. But, because it does not fall within the legal structure of the business it can also be a weakness in the model. Community business leaders need to have the right balance of business skills and social vision. They must be able to carry on the vision of the founder and make sound business decisions. However, there is often a tension placed upon community business leaders. Because of the (artificial?) divisions between the social and the economic in society, people find it easy to play the role of a social activist or a business person, but not both. Therefore, community business leaders are often being pulled in

⁴⁹ For instance, in the case of the Evangeline cooperatives in Prince Edward Island, the organization survived for several years despite the funding crisis based on the charisma and energy of one of the founders, Leonce Bernard. When Bernard left the organization to become Lieutenant Governor of Prince Edward Island in 2001, the crisis came to its head and a decision to close or change was forced. (see Lionais forthcoming)

two different directions. On the one hand they are being pulled towards social activism. This is evidenced by more social/charitable reactions to the community's problems. This approach often abandons the rationality of the business approach. On the other hand, they are being pulled towards mainstream business style decision making. Such an approach neglects the social mandate of the organization, privileging efficiency and profit over social purpose. Thus finding the right kind of leadership, one that understands the vision and can make sound business decisions in its pursuance, is a significant challenge for community business.⁵⁰

Pitcher (1995) discusses the different types of leadership required in organizations. She identifies three types of leaders: visionaries, craftsmen and technocrats. Visionaries are the dreamers who form the vision of the organizations. They are very creative, but often are poor managers. Technocrats, on the other hand, are poor visionaries, but are effective at reproducing systems. They are able to maintain stable systems. Both of these types of leaders are important to have in an organization. Community business corporations, however, seem to require something in between these extremes. Management in community business requires a clear understanding of the organizational mission. It also requires an ability to implement the vision in real business situations. This third type of management that community business requires is typical of the craftsman. It requires an ability to be creative and understand the vision of the organization, but it is also pragmatic and can do things on the ground. Thus it is able to interpret the vision into practical actions. While all three perspectives are useful in management systems, the danger is to place too much emphasis on the romanticism of visionaries or on the systematic management of technocrats.

Critics of Mondragon and New Dawn, for instance, argue that the visions of Arrizmendiarieta and MacLeod are now being pulled in different directions as they are becoming less clear with the departure of the respective entrepreneurs. The difference between their vision of the organization and that of subsequent managers can be problematic. If the vision is not shared by the management, and the senior management at the very least, then the organization risks being pulled towards one extreme or another. Thus it may become envisioned as a social, rather than business, project and risk its long-term sustainability and self sufficiency. On the other hand, it may become

⁵⁰ For an account of the challenges faced by Mondragon in recruiting and motivating appropriate managers see Clamp 1987 and 2000.

too engaged in the market and risk losing its social goals and purposes. For instance, many of Mondragon's critics claim that this is what is occurring in Mondragon at the moment. Although, there can be arguments made against this criticism (see Chapter IV), the evidence demonstrates that there are some worrying tendencies within Mondragon towards this position (Leigh-Taylor, 1994). This is evident in writing coming out of MCC itself where MCC's self reflectiveness demonstrates a concern for this issue (LANKI, unpublished). Similarly, the case could be made that with the establishment of the Foundation and a policy of community education, New Dawn has become more social, giving up its concerns for self-sufficiency. Again, this is an issue that New Dawn members themselves struggle with. This has been a problem in the past as well, as the overly social approach and lack of business sensibilities in management has lead New Dawn to near bankruptcy in the early 1980s.

One method that the leadership of these organizations use to maintain the vision despite these tensions is through the employment of a psychological leader (MacSween, 1995). Through the adoption of Arrizmendiarieta and MacLeod as psychological leaders, the organizations have been able to continue to tap into the vision of their founders despite the absence of their direct involvement in the organizations. By asking the question 'what would Arrizmendiarieta do?', the use of the psychological leader enables community business leaders to approach difficult decision challenges through the eyes of the original founder. MacSween (1995) notes that the use of a psychological leader can improve management efficiency and ensure that the organization follows the original vision of its founder.

Furthermore, community businesses need to continually reproduce the vision of the organization within their management structures. For instance, New Dawn's board education process which includes mentoring and weekend planning sessions educates board members on the vision and purpose of the organization. New Dawn members report that these efforts are very important to the organization for the purpose of keeping the vision alive.

This demonstrates the need for inspired leadership when operating structures that are the antithesis of the norm. Alternative development enterprises need exceptional leaders to maintain the direction of the movement through hostile economic, social and cultural waters. Despite having the community purpose written into the legal documents of the organizations, the leadership and management of the respective organizations

have significant discretion in how much they will adhere to such mandates. The unique form of ownership structure in community business has implications for the rights to the control mechanisms of the organizations as well the rights to the profits. Community business separates the rights to residual income (the benefits of business activity) with the control rights, which is a more technical and skilled function of business management (Bacchiega and Borzaga, 2002). Rather the community business attempts to marry control functions with community purpose.

Ensuring that the control mechanism is directed towards community purposes is one example of how it is difficult to legalize the vision of the entrepreneur. Leadership and management clearly have a large degree of control over the future of the organization. Thus, as in most organizations, attracting and keeping the most appropriate managers is a key and often difficult function.

In terms of control, the MCC is controlled by a management committee which is elected by the workers. The management thus is supposed to balance the needs of the workers, the community and the firm in their decisions. A balance between firm and worker interests is kept through the social council. The community interests are supposed to be served through the participation of both workers and managers who come from the community. As described in Chapter IV however, there are tendencies in Mondragon for the managerial position to be privileged. This is perhaps a weakness in Mondragon, that too narrow of an interpretation of wealth creation is being adopted, leaving the benefit of the workers and the community out of the equation.

Control in New Dawn is held by the management and the board. The management and the board have a large degree of autonomy from the community in terms of setting New Dawn policy. The community interests are represented through the community purpose of the individual members of the board and the management team. Because the board is self-elected, there has been criticism of New Dawn's control structure. MacAulay (2000), for instance, argues that New Dawn is not a democratic organization and cannot claim to represent the community.⁵¹ Other analysts of New Dawn are more forgiving of this control structure. Perry, for instance claims that New Dawn's self-perpetuating board "would give me the shivers except that for 25 years it has worked." In New Dawn the structure seems effective, the organization has survived several very

⁵¹ It should be noted that New Dawn does not claim to represent the community in this sense but rather claims to work for the purpose of the community.

different and sometimes near disastrous managers. It is not immune, however. It does require good management. For instance, New Dawn, in its early days, almost went bankrupt twice because of incompetent or poor management.

Community businesses not only emerge out of novel forms of entrepreneurship, but rely on unique skills within its management. Managers of community business must be able to understand the vision of the organization and articulate that vision through sound decisions which enable the organization to fulfill its social mandate while at the same time ensuring survival and growth (see Clamp, 2002 for instance). The leadership of community business can employ a number of techniques to ensure that the vision is carried on intact, such as the use of a psychological leader and through management education and training. However, it must be recognized that effective managers of community business must have unique skills to balance the social and business imperatives of the organization. They must be able to withstand the pressures to slip into either a traditional business or social advocacy role. The community purpose of community businesses will help attract the 'right' type of manager. The problem of succession, however, is one that community businesses must deal with. How to attract or grow new managers?

Both New Dawn and Mondragon have begun to deal with this problem. Mondragon, for instance, uses its education system to identify and grow managers through education and mentoring. The issue of succession is becoming more and more prevalent in New Dawn. While it continues to use its board education process as a source for management, it has also experimented with other programs such as a management internship program to identify and train new managers. It is clear from discussions with New Dawn, however, that the succession of the organization onto the next generation is thought to be a critical point in the organization's history.

Placing Community Business in the Depleted Community

Now that we have examined the structural and cultural aspects of community business that allow them to achieve their objectives, we can examine how well those goals are achieved. What is the impact of community business? How can we measure

the success of community businesses? These questions will be taken up in the following section.

In looking at the impact of community business, we must look at how success is measured by the community businesses. What are the internal and external measurements of success? What are such measurements based on? What are they being measured against?

Within the organizations studied here, viability is the basic measurement of success. This is unsurprising as the survival of the organization itself depends on profitability. In New Dawn for instance, most respondents indicated a need to cover the finances as the first responsibility of the organization. The quantitative aspect of success is the first measurement. In order to make a contribution to the community, they argue, a business must have the financial capital to back up their efforts. This requires that close attention is paid to the finances. As MacSween reports, however, this is often seen within the organization as only a partial accounting of the organization's success:

I think we only know when we are half successful. All we have is the financial page. Do we make money or not? The board is now looking for a social page, a social audit to report the other half.

Thus, there is an effort to account for the success of the business based on its social impact in the community as well. For New Dawn, community feedback is considered to be a qualifier in its success. Qualitative measurements are increasingly being sought to measure the organizations success.

For instance, in 2001, New Dawn reported a poor financial year. In fact the organization lost \$250,000 on the year due to a number of factors. However, the leadership in New Dawn felt that on the whole 2001 was a successful year for the organization. 2001 was the 25th anniversary of the business and a number of new programs were introduced that year, most notably the New Dawn Foundation. Through the donations to the Foundation, New Dawn received what it considered to be an endorsement of its activities within the community. In order for people to donate the amounts that were donated, they must have confidence in the organization. New Dawn understood those donations to be symbolic of the confidence community members had in the organization. Although the year was a financial loss, New Dawn felt that on

whole, it had accomplished and was recognized for its social achievements. Furthermore, it had the confidence that the organization had the capacity to overcome its financial losses. Thus, on balance, New Dawn felt that the year 2001 was a successful and landmark year in its history.

In Mondragon there is a similar concern with both the financial statements as well as the social impact of the organization. Although it seems that Mondragon has a more business-like outlook, it also measures how well it meets the basic principles as an indicator of its social impact. The social impact is measured by job creation in particular but also includes service to community. Internally, these community businesses measure their financial profitability and the community reaction to them as measurements of success.

External to the organization, however, people may have other criteria for determining the success of these community businesses. There may be broader expectations made of community businesses. As community businesses are developed to respond to the problems of depletion faced in such communities, a measurement of success for community businesses will be the extent to which it has helped 'replete' the community. Thus, the transformative impact of the business is also a measurement of success.

Mondragon, as reported earlier, has achieved enormous success in terms of its transformative impact. Such impacts go beyond job creation and economic success. For instance, even non-cooperative businesses in the Mondragon region have had to live up to the standards of the MCC, competing in terms of labour participation and ownership. That is, the MCC has created a local business culture that spills over into mainstream businesses. Mondragon, because of this transformative role, is held as an example of the potential for community economic development and community business in particular. It is proof that such a model can work within global markets and at a large scale. In this, however, Mondragon is the exception, not the rule.

New Dawn can be seen as successful in its own right. It has survived and grown in a depleted community for over 25 years. This achievement in such a hostile economic environment, where any business that has lasted 25 years is celebrated, speaks to the strength of New Dawn. It is questionable, however, whether New Dawn has been transformative. Certainly it has not yet reached the capacity to effect community development at a large scale in the same manner as Mondragon has.

New Dawn's limited impact when compared to Mondragon can be attributed to the different historical and geographical settings in which they developed. Mondragon for instance, was able to grow quickly for a number of reasons. First, although persecuted by Franco's regime, the Mondragon cooperatives were also protected from foreign competition by Franco's tough protectionist policies. Thus, Mondragon had a friendlier environment to grow in. When the trade barriers were broken down in the 1980s, Mondragon had reached a level where it was able to take advantage of the new European markets rather than feeling threatened by the new competition. Furthermore, as Mondragon started after the war, it benefited from the post-war boom that pushed the economy along quickly. There was a large and expanding need for manufactured goods. Within this environment, Mondragon was able to serve these growing markets very easily. Mondragon, in contrast to New Dawn, also had the advantage of going into manufacturing and export related businesses. Manufacturing and export was a developmental strength as the Mondragon had greater growth potential through selling to external markets. Finally, Mondragon was established as a synergistic network of industry, finance and research and development. In contrast to New Dawn, Mondragon developed its business support institutions in-house. These factors allowed for Mondragon to grow faster.

In contrast, New Dawn was established at a time of continuing community decline. The crisis that started in the mid sixties was still ongoing as the steel and coal industries were slowly dying in Cape Breton. New Dawn's projects were established in the service industry – housing, healthcare and education – where the margins were smaller and there was less ability to grow quickly. This was especially problematic given that they were not exporting but rather servicing a declining local market. In fact, New Dawn's early growth and success was largely a result of the high rate of inflation at the time. The inflation rate quickly increased the value of New Dawn's real estate assets and thus the value of the business. Furthermore, New Dawn didn't have access to the business support institutions that Mondragon did. In Mondragon, Arrizmendiarieta had started a community finance institution at the very beginning. In Cape Breton, New Dawn did not have the support of such community finance institution until much later on in its history. Even when such an institution arrived (BCA Holdings), its impact was limited. Therefore, business development had to occur at a much slower pace as the time needed to develop an idea and finance it from its existing low margin enterprises was much

longer. Thus we can see how the geographic and historical differences of the two cases have lead to very different abilities in terms of their impact on the community.

The impact on the broader community, however, can be measured not only in the direct impacts of the business, but also in the possibilities for development that it has raised within the community. Thus, a measure of success of community business may include whether or not it has increased the institutional capacity for the community to develop. In this sense, we may be able to see where New Dawn has had a significant impact on the community, although much less visible. The relationship between New Dawn and other development and governance groups within the community are means through which New Dawn has a broader impact on the community. New Dawn has become known as an honest broker and valuable consultant for many other groups within the community, thereby increasing the institutional and organizational capacity of the community as a whole. For instance, New Dawn board members report that the organization is sought after by local government to provide guidance. Part of the role of the New Dawn Foundation, reports Maroun, is to have a greater impact in the community in this respect: “ the Foundation is really trying to get people to come to a leadership role or to begin dialogue so that there will be organizations coming through to help the community.” Thus New Dawn has had and is continuing to grow its impact in terms of developing the community’s capacity to develop beyond the limits of New Dawn itself.

The inability of New Dawn to have a significant transformative impact on the local community raises questions about the larger purpose of the community business model. Is it valid to expect such an organization to replete the community? The purpose of this thesis was to examine the emergence of community business out of the depleted community. It has been well established here that the community business is a form of business that is well structured to adapt to the problems and assets of the depleted community. However, it has not shown that it can, on its own replete a depleted community. Thus, the expectations of a community business should not be overplayed. Hayton (2000) reports that such high expectations, and subsequent failure of community business to meet them, has lead to a discrediting of the community business model in Scotland. What the two cases here demonstrate is that, on the one hand, it is unreasonable to raise such expectations as it is unlikely that even a successful business can live up to such expectations. New Dawn demonstrates that even successful

community businesses may only have a limited impact on the community. On the other hand, the Mondragon case demonstrates that when numerous community businesses exist in a particular community, there is a transformative impact. That is, community business can not transform a community on its own, but a network of businesses can. Thus, the lesson in Cape Breton is not that New Dawn has failed to replete the community, but rather that the community business approach has proven to be effective in a hostile environment and through more such businesses, the community may be revitalized. That is, New Dawn and community business offers hope.

The comparison of these two cases perhaps demonstrates the real power of Mondragon. Mondragon's importance to community business is that it provides a model that demonstrates the potential of community business. For instance, MacSween argues:

They [Mondragon] have confirmed that there is another way ...in a poor, disconnected resource-depleted context, there is another way. So that gives New Dawn hope, and for me that gives this community hope in terms of finding another way

Mondragon has a role in inspiring and motivating alternative business experiments in other regions. Knowledge of Mondragon's success has helped New Dawn continue in the confidence that it is on the right path. New Dawn performs a similar function on a smaller scale within Cape Breton and Canada in general. It provides proof that an alternative model exists. In this manner, Mondragon and New Dawn may have a larger transformative impact in similar depleted communities. As Lee and Leyshon (2003) state, "the power of alternatives lies in as much in the existence and the possibility of their existence as in their practice."

Role of Place

The implications of the different geographical and historical settings of the two models on their relative successes raises questions about the role of place in the model. To what extent are such examples place-specific? Although Mondragon and New Dawn may inspire similar experiments in other locales, the model may not be transportable to places that do not share the geographical and historical settings of Mondragon and Cape Breton. Thus we now turn to the question of how transportable the model is.

This chapter outlined the core structures of community business: wealth creation, community ownership, and community purpose. It is these elements where we find the transferable nature of community business. These aspects of community business were not manifested identically in our two examples. The two models had very different structures that reflected these aspects. For instance, Mondragon's hybrid ownership structure differs greatly from New Dawn's community trusteeship. Thus we cannot identify a particular form of structure such as a worker cooperative or a company limited by guarantee that is transferable. Rather, wealth creation, community ownership and community purpose are potentially transferable principles of community business.

Place plays a role in the outcome of these principles as they are adapted to the local environment. The nature of the local economic, social, cultural, and legal realities will shape the outcome of the principles of community business. Thus the principles, while based in social goals, are pragmatic in their implementation. They are implemented according to the actual possibilities accorded by the local context. Thus while Arrizmendiarieta used a cooperative legal form, MacLeod used a corporate form. In each case these formal structures were further adapted to fit with the vision of the founders. One can also look at how the local culture was incorporated into the business practice. In New Dawn for instance, ceilidhs were used both as a way to celebrate successes and as an opportunity to plan the business and develop social networks.

Thus the principles of community business, it seems, can be identified and adapted to local contexts. In this sense the community business idea is transferable. It is applicable to different places. However, we can question the extent to which it represents a model. Community business does not represent a type of structure or a unique set of practices. Rather it is a collective of principles which adapts different structures and practices to its function. Thus there is no blueprint for development that can be transmitted. There is no community business model, no ideal type. Rather it is an approach to the problem of depletion that has the potential to be transmitted.

As such, in terms of transferring the community business approach to a new place, the quality of the local leadership is a critical element in achieving success. It is through the local leadership that principles get applied to place. As indicated earlier, this puts a large burden on the leadership role. Local leadership must possess a number of different skills. First, it must understand and adopt the principles of community business into a local vision. Second, it must be able to practically implement those principles into real

outcomes. Finally, to do so, it must develop its stock of social capital and gain access to community resources which can be mobilized to achieve the vision.

The quantity and quality of local leadership, however, depends heavily on local histories and role models. This raises questions about the ability of depleted communities in growing leaders. In many of the interviews from Cape Breton, participants noted the lack of effective leadership within the community in general. Quality leadership is likely to be rare in depleted communities which have depended on exterior agents for their economic well being. Certainly this is the conclusion reached by many in Cape Breton – the lack of leadership in the community is a result of a long history of foreign ownership and control of the island's resources.

However, because community business draws so much on local knowledges and resources, community business leadership must emerge in place. Thus the model requires the development of local leaders who are willing to take on and adapt the community business approach to local settings. The New Dawn case demonstrates that, although they may have a low supply of leadership, there is the potential for local leadership to emerge in depleted communities. Furthermore, in a depleted community, the leadership that emerges may be more inclined to look for alternative solutions to economic problems as the traditional methods of economic development prove to be unavailable or ineffective in such places. That is, leaders that emerge from depleted communities may be more likely to search out community business approaches than the leadership in other, more successful areas.

Thus we can say that community businesses are potentially transferable. The principles of the community businesses are generizable to many different places. The transferability, however, is dependent upon local leadership and circumstances. The type of leadership required of community business, it has been suggested in this thesis, is more likely to be found in depleted communities. Similar conclusions have been found by Bradley and Gelb (1982) who suggest that the replication of Mondragon is quite possible, particularly in "pockets of relative immobility and community attachment." What, however, is the possibility of transferring to communities that are not depleted? Are community businesses only possible in those geographies forgotten by the traditional economy? Is the community business model only possible on the very margins of the economy, transportable to other depleted communities in the periphery? We now turn to these questions.

Depletion may increase the urgency a community feels and thus increase the likelihood of working together. The competitive advantage of community business in depleted communities is its access to accumulated community assets (labour, professional services, finance, etc.). Without the sense of urgency created by depletion, community business may not be able to get access to sufficient volunteer labour and capital. The condition of depletion enables the assets of the business. This effect is seen in Mondragon where the economic success has reduced the felt need within the community to make a personal sacrifice for the good of the community (Cheney, 2000). The availability of community assets and volunteer labour, it seems, is dependent upon the condition of depletion.

This suggests that community business' competitive advantage – access to community assets – is negated when depletion is no longer experienced. Can we thus say that community business have no possible role in successful economies and conclude that these examples are limited to the periphery? The Mondragon case would suggest otherwise. It demonstrates that the community business approach can work in what is now a successful economy. The structures still work in terms of wealth creation and community benefit. That is, the business process remains much the same in both depleted and successful communities. For instance, MacLeod argues:

The business tools are quite objective, markets, costs, your profit and loss, efficiency of management and technologies... there's an objectivity to that, so for me a community corporation would be very similar to a capitalist corporation in every day operation.

Community business is unique in the way it can gain access to resources in a depleted community, gaining access beyond what a traditional business could expect. It also is unique in the way that it uses the profits of business activity. Profits are retained for community purpose. Thus, the inputs and the outputs of business activity are unique. The process of doing business, however, remains the same. Business processes and techniques are used in the same manner in community business as they are in traditional business. Thus, in its operation, a community business should be expected to act in a similar fashion to traditional business.

Within a successful community the equity gaps found in depleted communities - venture capital, labour skills, business support institutions, etc. - are no longer present. In such an environment, community businesses no longer face the same barriers to development. They have access to these resources as do other businesses. In such a geography, community business will operate much like a traditional business – as Mondragon does – but yet is still able to maintain its social goals through its formal structures.

In fact, community business may still have a competitive advantage in such circumstances. The community business approach has proven successful partly based on its ability to capitalize most, if not all, of its profits. This is an advantage that remains in successful regions as well. Community businesses have the ability to build capacity faster than traditional business. Furthermore, Mondragon also demonstrates that the will to sacrifice may decline in eras of prosperity, but it does not disappear. There remain those in Mondragon who are motivated to work for communal rather than financial reasons. As Wells explains in the song at the beginning of the chapter, ‘money doesn’t always rule a life’, especially when one feels ties to and finds meaning in place. That is, it is not ‘depletion’ that is the determining factor for gaining access to community resources, but the extent to which residents feel themselves to be members of a ‘community’. Any place with a strong community will be able to trade on those assets. Community business provides an approach to do this.

Community business is place specific in that it roots itself to particular communities. In depleted communities, they have a competitive advantage over traditional forms through access to community assets and volunteers. Those advantages, although diminished in successful economies, remain. Therefore we can state that community business is not place specific in that it can operate in different geographies with different histories and economies. However, the emergence of community business remains dependent upon the quality of local leadership and the possibilities afforded by the local regulatory regime. Furthermore, because of the urgency in depleted communities, we are more likely to find leaders open to the community business concept in these locations.

Conclusion

This chapter has attempted to draw together a number of elements of community business. The development of community business was found to be based on an innovative form of entrepreneurship: community business entrepreneurship. Such entrepreneurs, because of their ties to a particular place and the community purpose of their vision, enjoy access to certain resources unavailable to traditional entrepreneurs. Community business entrepreneurs are thus able to create community businesses, business entities which respond to the needs of the local community.

The community purpose of community businesses, it was argued, is protected by the institutionalization of three basic principles: wealth creation, community ownership and community purpose. These three principles ensure that the organizations continue to grow and respond to the communities' economic needs. The community purpose of the business, however, cannot depend solely on the structure of the organizations. It was argued that the leadership of the organization has the responsibility to ensure that the social vision of the business is maintained through time, particularly in the absence of the founding entrepreneur(s).

Community businesses have the potential to be transformative in their communities, as the example of Mondragon demonstrates. However, such potential is rarely achieved. Rather community businesses have often, like New Dawn, made only modest impacts on the community in terms of job creation and economic activity. Despite this lack of transformative impact, community business has been a successful experiment in these communities. New Dawn has been a business success in a hostile economic environment. Thus the community business approach is potentially viable in depleted communities. By establishing a wider network of community businesses, as Mondragon has, places like Cape Breton may see a more transformative impact from community business.

Finally the question of the transportability of community business was examined. While community businesses are place-specific in their application, it was argued that the basic principles of community business were transferable. These basic principles, however, depend heavily on the quality of the local leadership for their adoption. Furthermore, the practical implementation of these principles is also dependent upon the limitations of the local economic, legal and cultural environment.

This analysis has attempted to understand the phenomena of community business. Where there was often a lack of theory before, this study has tried to provide some theory on how community business emerges and operates. This examination has expanded the understanding of community business. This approach, however, has only begun to scratch the surface of understanding these entities. What this study highlights, more than anything is that there is a need for much more work on this subject. For instance, a much closer scrutiny and comparison of community business to traditional firms using financial business analysis is needed. Thus, there are more steps to be taken in the study of community business.

CHAPTER VII: CONCLUSION

Getting Dark Again

Buddy MacDonald

There's a piper in the corner.
There's a dancer on the floor
Friends around the table,
there's one who calls for more
And there's Gaelic in the fiddle
like the Gaelic in the Glen
And the songs take on new meaning boys
It's getting dark again

*Getting dark again
Getting dark again
For the second time since we got up
It's getting dark again*

There was tea and tunes this morning
or was it yesterday
When friends and fiddles gathered
where friends and fiddles played
There were lots of 'those were good times'
and 'do you remember when'
But that was jigs and reels ago
Now it's getting dark again

Now if any of you were slighted by the deeds that now are done
By the fellowship of music and the fantasy of fun
Well we'd like to say we're sorry
shed a tear for you but then
We haven't got the time right now 'cause
It's getting dark again

There's a piper in the corner.
There's a dancer on the floor
Friends around the table,
there's one who calls for more
And there's Gaelic in the fiddle
like the Gaelic in the Glen
And the songs take on new meaning boys
She's getting dark again

And the songs take on new meaning boys
It's getting dark again

Introduction

This thesis has conducted an exploration of community businesses in an effort to better understand their emergence and functioning, particularly with respect to the depleted community. Throughout the process of the research I have tried to make a contribution to our understanding of these entities and the environment in which they exist. I have attempted to examine and re-examine the topics and case studies from the point of view of the community and community businesses. While I do not contend that such a view is the 'right' perspective, it does, I believe, offer valuable insights into how these processes of economic development (and decline) and cases of community development can be applied and understood from the point of view of the community involved.

In this conclusion I will review the main findings and arguments of the thesis. I will also offer some conclusions and recommendations for depleted communities, community businesses, academic research and for policy makers. Subsequently, in the final section, I will raise some more general issues regarding community businesses and the challenges and tasks which practitioners and academics of this field should be facing.

Review of the Thesis

Depleted Communities

The thesis began, in the prologue, with a description of Cape Breton. It was shown that Cape Breton has never had control over its own resources and has suffered at the hands of colonial governments and foreign owners of industry. The ramifications of this history continue to be felt in Cape Breton today. The economy continues to be dominated by central government through numerous 'development' agencies. Cape Bretoners have no more control over their future now than they did in the worst days of the British Empire Steel Corporation (BESCO).⁵²

The present state of the economy in Cape Breton reflects this fact. High unemployment rates, low participation rates, high dependency ratios, low average incomes, and drastic population decline, particularly of the young and educated, are

⁵² The Financial Times of Canada in an article titled 'Firm from Hell', reported that: 'The British Empire Steel Corp (BESCO) was the wickedest company in Canadian history' (Financial Times of Canada 1992: 2).

among the litany of statistics that describe Cape Breton's economic and social crisis. In these figures, Cape Breton reflects many other places in similar situations. Cape Breton is a former industrial area, geographically and economically situated on the periphery of North America. It has relied on a few, resource-based industries to fuel its growth. The collapse of such industries is speeding its decline. In short, it is economically depleted.

Yet, in spite of this economic decline, I have demonstrated that Cape Breton has maintained a vibrant culture. Its people maintain strong attachments to place and demonstrate an economically irrational unwillingness to move away. The benefits of living in their place, it seems, outweigh the economic arguments to move to where jobs are more abundant. I have argued that this paradox of economic decline and social vibrancy made Cape Breton an interesting and important place to study. It is an example of a local struggle against global economic forces.

Economic geography can help us understand and explain the predicament of Cape Breton and similar places. Chapter I outlined approaches to understanding uneven development. Marxist theories of economic geography, using authors such as Harvey and Smith, were used to explain the structural necessity of uneven development within the capitalist system of development. Capitalism, it was reported, actively produced and reproduced geographical unevenness in the economy.

While this political economic approach to the economy described the structural inheritance of uneven development, it failed to describe the particular pattern of the geographic differentiation in the economy. Following the cultural turn in geography, however, new economic geographies have attempted to describe the process and reasons for how the economy is situated in particular places and not in others. Under this conception, the economy is locally underpinned by systems of governance and regulation, knowledge production, and institutional thickness. The relative abundance and/or appropriate form of these factors will attract (or repulse) growth mechanisms in the economy.

These determinants of local economic success are exhibited in the context of the 'new' economy or the 'knowledge' economy. The new economy, was brought on by the crisis in the Fordist system in the mid to late 1970s when productivity growth slowed, causing profit rates to fall. The subsequent re-organization and re-spatialization of the economy favoured urban areas as centres of knowledge production and economic growth, while routine production was increasingly opened to international competition

in terms of location. Growth mechanisms in the economy were found to be located within a network of global city regions. Thus, peripheral regions in advanced economies are at a disadvantage for they can not compete on weak competitive factors such as wage levels or on strong competitive factors such as knowledge production (Hudson, 2002). The potential for development in peripheral regions, such as Cape Breton, in this analysis, is extremely limited.

This point of view is taken from the perspective of the mainstream economy. It does not, however, take into account the perspective of the losing region in terms of economic development. It does not acknowledge the agency of the region in terms of its ability to alter those limits being placed on it. Thus, I argued for an alternative view of uneven development, one from the point of view of the effected community. The term 'depleted community' is employed for this purpose.

The term depleted community captures the paradox of places such as Cape Breton, where despite the economic depletion of the community, residents display a reluctance to move to more prosperous regions. 'Depletion' describes the process of decline within such a community. This negative connotation is contrasted in the term with 'community', which describes meaningful social relations among and between people and their place. The notions of 'space' and 'place' were employed to understand the term 'depleted community'. Within the capitalist mode of production, space is often defined or valued according the principles of capital accumulation. That is, space is valued based on its ability to produce profit. Places on the other hand are locations of meaningful social relations. Thus depleted communities can be defined as areas that have low valuations of space, but maintain high values of place.

The term *depleted community*, it was argued, offers a different interpretation and perspective on the implications for development in such regions. While the barriers to growth in terms of traditional development continue to exist – lack of venture capital, business support services, etc. – there are also assets which can be used to grow. Namely, the presence of a 'community', of strong social bonds, is an asset which may be able to engender development, albeit of a non-traditional type. Thus the term depleted community, it is argued, is useful for peripheral regions in understanding their plight and envisioning a way out of the limitations placed upon them by the capitalist system.

Community Economic Development

Community economic development (CED) is a field of practice and inquiry that includes many and often contrasting definitions and practices. In chapter II, the field of CED was whittled down to find a definition that best fits our case studies and the implications for development in depleted communities. Thus CED was defined by reflecting on the needs of the depleted community as well as projecting on the forms of our selected case studies. CED, it was argued can fall into two broad camps. Liberal CED situates mainstream mechanisms of development within the scale of the community. Progressive CED, on the other hand, argues for an alternative form of development which will change the economic system of the community. Thus progressive CED presents a challenge to the traditional economy. Because of the limitations of development for depleted communities identified in the previous sections, it was argued that the liberal form of CED was not appropriate for depleted communities and was indeed not what this research project intended to explore. Progressive CED, on the other hand, offered some purchase on how a depleted community could use the assets of community to form an alternative response to economic development.

CED was then placed within the context of the social economy. The social economy was defined as a view on the economy that prioritized people over profits. Within this context, I suggested that CED holds three basic characteristics. First, it is locally rooted. That is, it maintains attachments to particular communities. Second, CED is involved in wealth creation. Finally, CED holds to a progressive social vision. In incorporating these three aspects, the form of CED being discussed here can be distinguished from other 'softer' forms of CED in that it employs the use of community business corporations: locally rooted business (wealth producing) entities that have a social goal. This understanding of CED indicates that CED can be an appropriate response to the depleted community as it addresses the root causes of depletion while trading on the assets of community. It is this perspective on CED and the depleted community that is used to examine the cases presented in the thesis.

Mondragon

The first case study presented was the Mondragon Cooperative Corporation (MCC), a network of cooperative corporations in the Basque region of Spain. After a brief

introduction of the Mondragon system, a review of the literature on Mondragon was completed including both the praise and criticism for Mondragon. The argument was made that the praise of Mondragon was often overly-romantic in its nature. This type of literature presented the Mondragon model as a cure-all for the world's economy. On the other hand, it was found that the criticisms of Mondragon were also lacking in that they privileged the cooperative perspective on Mondragon. This point of view is unsurprising as Mondragon is commonly known as a cooperative enterprise. The cooperative perspective, however, does not lead to criticisms useful for the purposes of the depleted community. The success and value of the Mondragon model, I argue, is better understood when Mondragon is conceived as a community business rather than as a cooperative. Such a perspective evaluates the Mondragon model within its ability to respond to the depleted community rather than its ability to live up to cooperative ideals. The argument is made that the unique structures of Mondragon which contribute to its success are not cooperative in nature but rather are elements of a community business. Such an analytical position on Mondragon does not deny the existence of a social debate in Mondragon, but rather places that debate in the context of how well the model responds to the real needs of the community rather than measuring it against abstract ideals.

New Dawn Enterprises

The primary object of study in this thesis has been New Dawn Enterprises, a community business in Cape Breton. New Dawn was examined in two parts. First, the founding and initial development of New Dawn was explored to see how a community business emerges out of a depleted community. Second, New Dawn was examined with respect to its relationship with the community and how that relationship was changing.

New Dawn, it was argued, was the outcome of the vision and energy of one individual in particular: Father Greg MacLeod. New Dawn, it was shown, emerged out of MacLeod's sense of community attachment. That sense of community attachment meant that MacLeod felt wounded at the state of the community's economy that directed him to take action to develop the economy. MacLeod's social philosophy, which was founded in catholic social doctrine and influenced by the cooperative movement, lead him to an alternative approach to economic development. MacLeod's deep attachment to his community also meant that his approach was designed to be

respectful and supportive of the social and cultural aspects of the community. That approach can be broadly described as a community economic development approach.

Thus, New Dawn was established for the purpose of helping the community develop economically, socially and culturally. New Dawn was established with explicit communitarian values. These values of the organization were formalized into the legal documents of the organization. Thus New Dawn's articles of incorporation and memorandum of association outline the limitations of New Dawn's activities. These include an explicit aim to do work of benefit to the community, a rooting of the profits of business in the community and creating broad community ownership of the organization.

The values of the organization were also institutionalized and reproduced through its organizational culture. It was demonstrated that New Dawn invested a lot of energy into educating and reproducing the values of the organization within its management structures. Particularly, board members would go through a number of steps of education in the organization including mentoring and weekend-long seminars. Furthermore, although no longer directly involved within the organization, MacLeod is employed as psychological leader within New Dawn. The use of a psychological leader, it was argued, provided continuity in the vision of the organization. Both the organizational structure and the organizational culture were shown to be critical in maintaining the vision of the organization through time.

The research also probed into New Dawn's relationship with the community. The research demonstrated that at the organizational level, New Dawn had a very sophisticated understanding of the community in terms of its assets, its limitations and the requirements needed to develop the community. For example, New Dawn has moved beyond a simple analysis of the community as being in economic decline. The economic problems in Cape Breton, argue New Dawn, are underpinned and exacerbated by working class cultures of dependency, deep suspicions of leadership and subsequent inability to work together in groups. Thus, in their analysis, the culture of the community simultaneously provides the potential assets for development but also leads to an inhospitable environment for development.

Thus New Dawn's assessments of the requirements of community development go beyond simple calls for economic investment. New Dawn contends that there are cultural and attitudinal problems that must first be addressed in order to successfully

attack the economic problem. A lack of leadership is one problem that New Dawn has identified. They argue there is a need for a form of leadership that involves the community in taking responsibility for its own future. Such a leadership requires a clear vision for the community, something that New Dawn argues does not currently exist. Thus they also argue that the community needs a means to honestly assess itself and develop a vision for the future.

Within that context New Dawn feels it has three components to its role in developing the community. First and foremost is starting and running community businesses. This role has two outcomes. First it directly impacts the community by providing jobs and services to the community, as well as its economic impact. And secondly, it is demonstrative to other organizations that business development is possible in a depleted community, and specifically, that a socially responsible, community business approach is possible. A second role of New Dawn is to provide a 'safe place to talk'. That is New Dawn sees itself as an arena where the community can come together to honestly and truthfully assess itself and its needs. Finally, New Dawn sees its role as calling forth and supporting the leadership within the community.

These roles identified by New Dawn exhibit a change from their earlier role which focused more on business development. This 'turning point' identified by New Dawn is the result of changes in the community and internal changes in New Dawn. The community has changed in that the steel works and the mines have closed and the crisis that has been looming for years has come to a head. Secondly, New Dawn, after 25 years in operation, has built up the capacity to tackle a wider range of activities in its pursuit to achieve its purposes. These changes in New Dawn's thinking are evidenced in the establishment of the New Dawn Foundation, a subsidiary organization that is able to attract charitable investments and will work on the community education and leadership issue in Cape Breton. Secondly, these changes in New Dawn are illustrated through the adoption of a new mission statement. The new mission statement mandates that New Dawn will now engage the community more in an attempt to develop the community and challenge the community to take up the responsibility of developing itself. This leadership role is a departure from New Dawn's previous approach, in which they purposely remained in the background. The success of these changes remains to be determined. Certainly there are questions to how this tactic will effect real change in the community.

Community Businesses

The cases studies presented in the thesis were used to develop theoretical issues around the concept of the community business. Community businesses were examined from a number of angles: processes of emergence; organizational structure; maintaining the vision; and finally, the role of community businesses in depleted communities.

Community businesses emerge in depleted communities, it was argued, through a unique process of entrepreneurship which was termed *community business entrepreneurship*. Community business entrepreneurs are unusual in that they bring together a social vision with business techniques to create community business corporations. Because they maintain a communitarian goal, they are able to access community resources, such as volunteer labour, professional skills and capital, through networks of social capital based on high levels of trust. Thus, it was argued that community business entrepreneurs are able to adapt the entrepreneurial process to contend with the challenges and unique assets of depleted communities. That is, community business entrepreneurs are uniquely qualified to gain access to community assets and lever them into economic assets.

When choosing an organizational structure for community business, it was argued that there is a need to formally institute the values and purpose of the organization. It was demonstrated that the basic characteristics of community business were formally structured within the cases. Thus, wealth creation, community rootedness in the form of broad community ownership or trusteeship, and social purpose were regulated by the legal and structural documents of the community businesses. These regulations are both limiting and enabling. They limit the extent to which the organizations can stray from their original purposes and the vision of the community entrepreneur. They are also enabling in that they attract similarly motivated people to the organization. Such volunteers bring with them a number of resources which are donated to the organization. These donations of time, skills, labour and capital are possible because people are confident that, because of the organizational structure, their investments will not be exploited for personal gains, but used for community benefit.

Maintaining the vision of the community business over time, however, cannot depend solely on the organizational structure. It also relies on the organizational culture. Therefore, it was argued that there must be processes in community businesses that

reproduce the vision of the organization over time. New Dawn, it was demonstrated, had expended a significant amount of energy in this regard. For example, New Dawn employed a board member education program, a yearly retreat to discuss the purpose of the organization and employed the figure of the community business entrepreneur behind New Dawn, Greg MacLeod, as a psychological leader in the continuous reproduction of the organizations values. Mondragon has employed the figure of Don Jose Arrizmendiarieta for the same purpose.

Maintaining the vision, it was concluded, is a significant responsibility of a community business' management. Thus, the choosing of the right kind of manager is an important process in community business that requires particular care. Management requires a unique set of abilities, not unlike the community business entrepreneur. Management in community business must be of a craftsman type. That is, community business management must be able to understand and creatively interpret the vision of the organization as well as be able to practically implement that vision through concrete actions. Thus community business management requires both a socially conscious sensitivity as well as practical business skills. While these two skills are not mutually exclusive, it was argued that popular divisions between 'the social' and 'the economic' make it difficult to find individuals who possess both skills.

The success of community business can be measured in a number of different ways. Success can be measured as the individual success of the organization to achieve its goals and balance its finances. In this respect, both of our cases can be deemed successful. Both are sustainable business organizations that have achieved longevity and have succeeded in producing social benefits. Success can also be measured in the impacts community businesses have on the community. In this respect the impact of our two examples are in contrast. Mondragon, on the one hand, has had a significant transformative impact on its community. New Dawn on the other hand, remains modest in its impact on the local community in terms of its economic contributions and job creation. That is, New Dawn has not been transformative. In the context of the depleted community, however, New Dawn's modest achievements become much more notable as they have been achieved in a very hostile economic environment.

Perhaps a more lasting contribution of these two examples has been their demonstrative properties. That is, they have value in that they have demonstrated that an alternative form of economic development can occur and achieve success, particularly

within the geography of the depleted community. Thus New Dawn and Mondragon can be seen as 'spaces of hope' (Harvey, 2000) in an economic system that is hostile to such peripheral communities. It was noted that Mondragon continues to perform this function for New Dawn, offering a powerful example that values the challenges that New Dawn faces. Their ability to perform this exemplary function depends upon the satisfaction of two requirements: economic success and social good. The two examples put different emphasis on these requirements. Mondragon, for instance, is more bottom-line driven, while New Dawn is more socially oriented. A balance between the two aspects of the organization, however, is sought in both models.

The transferability of the community business 'model' to other similar geographies, however, is not a direct process. Indeed it was argued that there is no 'model' per se, rather that community business represents a set of principles around which economic activity can (or, being more normative one could argue, *should*) be organized. These principles, as mentioned before include 1) a process of wealth creation that is 2) rooted in a particular community and 3) operates for the benefit of the community. The adoption and implementation of these principles, it was suggested, would depend heavily upon local leaderships' ability to adapt these principles to the local economic, legal and cultural environment.

Contributions of the Thesis

This review of the thesis identifies a number of contributions that it makes. The first contribution, outlined in the prologue and the first chapter, is the understanding of the depleted community. The term depleted community is an attempt to understand the paradox between negative economic forces and positive social ties in particular places. It offers a local view point on processes of uneven development in the global economy.

Secondly, in Chapter II, I have attempted to make a classification of community economic development (CED) as a field of study and approach to economic development. CED, it was argued, was more effective when primarily concerned with business development (rather than charity and advocacy).

Thirdly, the analysis of Mondragon as a community business rather than as a cooperative offers new insights into the success and lessons of the model. Fourthly, the thesis has added an academic account of New Dawn to the literature, addressing a lack of literature concerning New Dawn and filling in gaps of that which does exist.

Finally, and primarily, the thesis has begun to develop a theory of community business. It has sought to explain how such organizations are born and are maintained within depleted communities. It is hoped that this knowledge will be useful to both the cases studied as well as communities that face similar situations.

The research aim of the thesis, as outlined in chapter III, was to explore the emergence of socially responsible business enterprises in depleted communities. The research project can make several conclusions regarding this aim. The case studies selected here demonstrate that indeed, socially responsible enterprises can emerge out of depleted communities. Furthermore, not only can such community businesses emerge in depleted communities, but it seems that community businesses have particular advantages over more traditional forms of business within the geography of the depleted community. Thus we can conclude that depleted communities are locations where alternative forms of economic development can find purchase and emerge. Such novel economic forms challenge the mainstream system that produces uneven development and depletes the community in the first place. As such, they represent the possible kernels of hope for an alternative and more humanistic form of economy. Depleted communities thus can be seen as 'spaces of hope' for such an alternative economic system.

This, hopeful and optimistic view of community business, however, must be tempered with a recognition of the real problems faced by these endeavours. Although community businesses have been shown to have advantages in depleted communities, those advantages do not negate the very real challenges to any form of economic activity within depleted communities. For instance, Mondragon's enormous success is, at least partially, contingent upon a number of historical factors such as Spanish trade protectionism and the post war boom. New Dawn's case is more instructive of the contemporary problems faced by community business. Over its 27 year history, for example, New Dawn has nearly gone bankrupt twice and has only recently begun to feel that its capacity is growing beyond a basic level. Up to this point in time, New Dawn has felt that it has been treading water in its efforts to run its current business enterprises. The lesson is that community development through community business is a long and slow process. The promise of that endeavour is a stable economy which is less susceptible to the uneven development of shifting global capital and a community that is enduring.

The general conclusion of the thesis therefore is that community business offers a real mechanism for development in depleted communities. The potential for community business in such geographies, however, should not be over-emphasized as there are very real challenges to development in depleted communities which must be negotiated. In the next section we will examine some more conclusions and implications of the thesis including policy recommendations.

Conclusions, Implications and Recommendations

We have reviewed some general findings and directions discussed in this thesis. Here I would like to review the evidence brought forward by this thesis and examine the specific recommendations and conclusions suggested.

For Depleted Communities

The general conclusion for depleted communities, to reiterate from above, is that development is possible using alternative means. The evidence here suggests that development, if it is to occur in depleted communities, needs to focus on business approaches to the problem of depletion as opposed to charitable or social approaches to the problem. However, the business approach applicable to depleted communities must be able to marshal community resources for its business endeavours. Such alternative development depends upon novel forms of entrepreneurship and leadership. Such leaders, by drawing on the assets available within a depleted community, can effect real economic change.

While the knowledge that there is potential for such development in depleted communities is an important first step, it does not immediately present a plan for development. This research has shown there is no model that can easily be replicated in all contexts. The lack of a community business model means that the transferability of success in community businesses is not straightforward, quick or easy. The evidence suggests, rather, that the local leadership needs to adapt the principles of community business to the local context. As indicated earlier, there is an increased burden on leaders in community business, as they must balance social goals with business methods. Thus, strategies for depleted communities should be focused on identifying

and developing local leadership. Connecting leadership in depleted communities to leaders in established community businesses, for instance, is one way in which tacit knowledge and approaches to community business can be shared. The absence of a clear model makes the growth of community businesses in such an organic fashion more likely.

For Community Business

There are a number of conclusions and recommendations regarding community businesses in particular. Institutionalizing the basic principles of community business, although contextually contingent, is a critical factor in community business success. To review, these basic principles include wealth creation, local rootedness and community purpose. Wealth creation is necessary to ensure long-term sustainability. The experience of community businesses in Scotland demonstrates that a lack of self-sustainability can risk long term effectiveness and question the legitimacy of the community business approach (see Hayton, 2000). The cases presented here demonstrate how self-sustaining community businesses operating can create lasting impacts over the long term. Both New Dawn and the MCC in Mondragon have grown because of their business success. Thus the evidence suggests that community businesses need to be based on corporate structures and business methodologies, and should not operate on a subsidized basis.

The legal structure of the organization was demonstrated to be critical in institutionalizing the principles of these organizations. In particular, the community business can be rooted locally through broad ownership or trusteeship structures. The formal documents of the organization are also critical in defining and maintaining its community purpose. These documents can spell out the purpose of the organization and the way in which profits are used. Over time, the purpose and importance of these structures is often forgotten. For instance, many of New Dawn's directors were not aware of the unique properties of New Dawn's legal structure. I would argue that it is important, particularly for management, to be aware of such organizational histories, as they provide an understanding of their purpose. I recommend that community businesses need to continually educate participants in the organizational histories, structures, purposes and vision of the organization. This was only being done partially in the cases studied here.

While the formal organizational structure was found to be a critical component of community business, the evidence demonstrates that the leadership of the community businesses also played a key role in maintaining the vision and purpose of the organization. That is, leadership plays a vital role in balancing the social vision with the need for business approaches within the organization. As this type of leadership may be relatively rare, this could be a threat to the long-term sustainability of the organization. One proposal this evidence suggests is that leaders may have to be grown internally. The vision and purpose of the organization can then be passed on to successive generations. Both New Dawn and Mondragon have used this system to develop leaders that fit with their respective corporate visions. Mondragon has established its own university to train managers, as well as utilizing mentoring programs. New Dawn employs training methods for its board members and management. Rankin MacSween was 'brought up' through the organization to his current position as president. New Dawn is comfortable with MacSween at the head because not only has he been brought up through the organization and shared in its vision, but also he has also helped shaped that vision in working with and for the organization.

Indeed the critical role of leadership becomes apparent not only during the start-up of community businesses, but also during periods of change. For instance leadership's role was vital in shaping the outcome of turbulent punctuations in Mondragon's history, such as the formation of the Mondragon Cooperative Corporation (MCC) in 1991. New Dawn, similarly, is presently undergoing rapid change brought on by both critical events in the community and the changing capacities of New Dawn itself. The leadership of New Dawn is playing a vital role in adapting the vision and purpose of New Dawn to these new realities (as evidenced by the new mission statement).

Mondragon has taken a more straightforward business approach than New Dawn. The MCC argues that based on its structure and by maintaining its basic principles the straight business decision will prove to be the best decision for the community and the corporation. The social debate in Mondragon continues. The MCC is conscious of its social responsibility as well as the need for competitiveness. For instance, in 2003, MCC adopted a policy to transform foreign plants into cooperatives if the workers

desired.⁵³ This decision was made only when it was clear that it would not threaten the business. Because the community is no longer in a depleted state, Mondragon can now focus more on maintaining competitive business organizations. Through business they can be socially responsible because of the structure of the organization. New Dawn, on the other hand, is taking a less business and more social role. It finds that business is not enough to transform the community at the present time; there is a need to develop local leadership as well. The leadership of New Dawn is trying to deal with this reality within the confines of its organizational structure as a community business.

If New Dawn is to lead in the community it needs to change its perception within the community. There must be a better understanding of the organization and its purpose, both within the general community and among New Dawn's own employees. The employees are representatives of the organization within the community and need to have a better understanding of what New Dawn is about. This research has demonstrated that New Dawn's employees don't have an accurate conception of New Dawn. They do not share in the community vision the organization holds. If New Dawn is to take a leadership role, as it claims it wants to, it needs to correct the perception that its employees have of the organization.

The Mondragon example should be instructive. The MCC has become a leader in its community, but does so from a business perspective. It has not attempted to become more representational or accountable to the community, but rather remains a business organization that is active in the community as a corporate citizen; it gives back according to its vision and its perception of the MCC's role within that community.

This suggests that New Dawn should engage more with the community, but that the nature of that engagement should remain the same; it should be based on New Dawn's role as a business within the community. A shift to a democratic process would weaken the business structure, requiring too much compromise to create actions that are acceptable to all and too much energy spent on seeking consensus. Thus the suggestion made is that if New Dawn is to lead, it should do so as a corporate citizen, not as a group that claims (or is perceived to claim) that it represents the community's interests. New Dawn should be confident in its vision of the community, should continue to

⁵³ The fact that the MCC had operated foreign plants as traditional businesses has often been criticized by Mondragon's detractors (see for instance Howard, 1996).

develop and refine that vision through engagement with the community and should participate as a corporate citizen based on that vision.

This recommendation is reflective of the concept of community developed in chapter two. That conception is of community as a multitude of locally referent social relationships rather than a homogenous whole. Community is not only a process of cohesion, but tensions and the resolution of those tensions. Communities grow out of their differences as well as their similarities. To set up an organization that intends to represent the whole community suggests that the community is a homogenous whole. This is a dangerous and totalising view of community. Inevitably the will of the few is given to represent the will of everyone. Furthermore, such a view of community results in inefficient governance structures within community businesses. The search for community consensus, within a large, diverse and dynamic community, results in slow, watered down decision making. Such a process thus does not produce effective leadership. The cases here embody a conception of community that is not homogenous and totalizing. Thus their approach to community is as a member, rather than a representative.

For Policy Makers

Community businesses are, in a true sense, endogenous. It is clear that for community business entrepreneurs and community businesses to be successful they must grow in place. They cannot be directed from above or afar. Regardless, there is reason for government to be interested in community businesses and indeed there is a role that policy can play. From the government point of view, community businesses are a potential, if limited, means by which the negative impact of uneven development can be dealt with. They provide an opportunity to anchor local economies and support local cultures, thus there is a role for supportive policy and government action.

Governments have used various methods of intervention in depleted communities, often meeting with failure or limited results. These methods can be divided into two general categories: 1) Economic programs: attracting large scale branch plants, promoting endogenous SME development, etc; or 2) Social programs such as labour skills training, workfare, and using third sector organizations as mechanisms for social service delivery. This research suggests that, for varying reasons, neither method is very effective in developing depleted communities. The research does suggest, however, that

a hybrid approach may find more purchase in communities that are experiencing large-scale economic depletion while maintaining the assets of community. Such an approach must be firmly rooted in economic activity and business methods, but use unique means for gathering resources and using profits.

How does this differ from current government directed CED? The difference is on focus: rather than focusing on making social organizations more sustainable in some way, the focus is on making strong business ideas more socially responsible. Instead of trying to incorporate business practices into social organizations, policy should focus on creating new forms of socially responsible businesses. The key structures are business forms, but the purpose is based on community. Around these points there are a number of specific recommendations we can make. They include policy recommendations regarding corporate structure forms, community leadership, local knowledge linkages, and community business financing. We will discuss each of these components below.

First, we find that structure is important; both examples found a structural means to ensure that the purpose remains community rooted, but did so within a business corporate structure. This suggests a business approach may be a more effective means of community development. We can conclude that policy should favour a business approach to community development, while recognizing that the business forms most applicable to depleted communities may be non-traditional in form. The cases examined here provide evidence that there are real alternatives to the modern/mainstream corporate structure; there are viable structures for enterprise between the spheres of economy and society; that these two spheres are actually one and that economic institutions can work for social purposes. There is a need for policy to recognize this and support the development of these novel forms of business enterprise. Thus, one opportunity of public policy is to support business structures that enable businesses to operate for community purposes rather than individual purposes.

Both of the examples used demonstrated how corporate forms do not fit the purposes of community business very well. In both cases the entrepreneurs involved found a model that best fit with their vision and then adjusted that to make it acceptable. The re-examination of Mondragon demonstrated that it was not the cooperative form of corporation that was the key to the system, but rather the adaptation of this model to the founders' community purpose. This demonstrates a lack of corporate forms which address the principles of community business. In New Dawn, this lack of a specific and

appropriate corporate form leads to confusion within the community and among employees regarding the purpose of the business. Thus we can recommend that government should provide scope for appropriate corporate forms for community business.

In the UK, such legislation is currently being developed. The Department of Trade and Industry has proposed a new corporate form called a community interest company (CIC). A CIC would fulfill the principles of community business by rooting wealth creation to a local community and would institutionalize a community-based purpose. Sweden is also looking into legislative support for creating a social enterprise corporate form. These novel examples of government policy could be mirrored in other places.

However, in proposing policy support for community business structures, we must be careful about the way in which the link between these businesses and the community is legislated. A common component of current CED literature, policy and practice puts a strong emphasis on democratic structures. However, these examples demonstrate that the structure of community businesses need not entail broad community participation in the sense that they need to be developed through a democratic, participatory community practice. The argument here is not against cooperatives or forms of workplace democracy. Rather, the argument is against the notion that an organization, business or otherwise that is working for community purposes necessarily needs to democratically elect its board and/or management or allow other forms of community decision making. Neither Mondragon nor New Dawn engaged in broad-based community participation or democratic practices; neither can be identified as organizations that 'represent' the community in any elected or democratic sense.

This is in contrast to many of the normative claims made within the literature on community development. The evidence of this research shows that being representative of the community is not required for community businesses. Community business does not require the participation of the whole community (through democratic actions and large community meetings), but is developed through the actions of effective leadership and processes of entrepreneurship (albeit novel forms of entrepreneurship). Community businesses are members of the community, not representatives of the community. Community business leaders must be able to tap into community resources, but this does not require the backing or the input of the entire community. It does, however, require effective relationships within the community on both a personal and an

organizational level. Interaction with the community is crucial, but it is of a more organic form and based on individual relationships.

The New Dawn case demonstrates this effectively. Although New Dawn's board is self-elected and direct participation from the community is limited at best, the organization still maintains a clear idea of what the community is and what its needs are. It gathers this input organically from personal and business relations, not by broad scale community involvement.

The evidence presented in these examples suggests that community businesses are not community based because of some democratic practice, but rather through structural factors. The community commitment enshrined within the legal structures is then exemplified through the leadership that is attracted to and developed by such organizational forms. Thus the recommendation for public policy (as well as community businesses) is to focus on effective business structures rather than community participation systems when pursuing, community economic development. Community purpose is achieved through the structural reform of business rather than nominal forms of community participation.

Community business development requires strong leadership. In both examples the development of the businesses was based upon a unique form of entrepreneurship – the community business entrepreneur. This is another area where appropriate policy may have some purchase. It is not simply enough for a community to come together; it must have effective leadership. That leadership must in turn possess unique skills and networks. Community business leadership needs to be able to tap into the resources of the community, which requires a large network of contacts built on relationships of trust.

The leadership must also be able to interpret the results of examples such as Mondragon and New Dawn into business structure appropriate for the local environment. As mentioned earlier, there is no defined 'model' of community business, but rather a set of principles around which community business should be built. Mondragon and New Dawn are living examples where one can find inspiration and understanding. The models, however, are not transferable. There is always a need for innovation in the community business sector. It cannot be a mere replication of existing systems.

This lack of a model presents a difficult problem for public policy. Because there is no system to replicate, it suggests that community business is unlikely to come from the public sector, as government structures are rather limited in their ability to innovate. Leadership for the community business sector will therefore probably come from the community itself. This creates its own paradox. Those depleted communities with the greatest need for community business also suffer from an out migration of their leadership-quality citizens. Both examples presented reported an alarming out migration of their young and educated citizens. Furthermore, the type of leadership required for community business is a selfless leadership. That is, there is very little personal gain in leading a community business. It is no accident that the two entrepreneurs examined here came from the church, were people who had pledged their lives to the service of their community. These individuals stepped outside of their clerical roles to accomplish their tasks, but brought the same selfless disposition and trust of their vocation to their leadership of the community businesses.

Given the individualistic tendencies of Western culture, the production of such business leaders is becoming an increasing rarity (Cheney, 2000). Barring any sudden change in individualistic tendencies in Western society (though crisis in one's community may bring about such changes), it is unlikely that leadership of this type will be widely found in many places.

Thus public policy's role may be to develop and support such rare examples of community leadership. One policy that may have purchase in developing the local leadership skills necessary for community business development is to engage people in the social service and community development sector. People who have already given themselves to the community exist in these fields, and are typically operating in publicly funded institutions. Educating this sector in business practices may be one way of bridging the divide between the business and the social. However, we must be careful here. As previously indicated, it is not sufficient to adapt business processes to social organizations; policy is needed to support wholly new forms of business enterprise. Educating social leaders must be seen as a means for identifying community business leaders, not a way to reform the social services sector. Thus one policy suggestion is to educate the community development sector in the practices of business and especially to create forums for knowledge transfer from successful models such as Mondragon and New Dawn to community leaders in areas that may be receptive to and benefit from

community businesses. In particular, leadership exchange programs can facilitate knowledge transfer on effective development within the social economy (see McFarlane, 2003).

Although community businesses grow in particular places, they need to be considered relationally. The networks that these community business entrepreneurs had as part of their asset base included knowledge networks outside the community, as well relationships within the community, that were used to secure capital, labour and professional skills needed for their projects. Similarly, there is a need for community businesses to be engaged in circuits of knowledge production that extend beyond the local level. At the very least, community businesses need to be connected to other 'experiments' in the alternative economy. Public policy can assist in making these connections to wider discourses by providing community business leaders access to networks and spaces of engagement within the alternative economy.

Another role of public policy may be to support local modes of knowledge exchange. Promoting exchanges between local sources of knowledge production (universities and other educational and research institutions) and depleted communities is one means for accomplishing this. Certainly both the cases studied here have strong roots in educational settings. Both were, in the beginning, experiments that put into practice ideas developed in learning institutions. The social innovations they represent were first conceived within educational institutions, thus policy should encourage universities and other educational institutions to become the research and development centres for community business development. This can have at least two dimensions. First, as in both of these cases, universities can work with community businesses and community business leads in looking for appropriate business structures for the local community. Certainly New Dawn was an 'experiment' that tested notions of business and community development created by members of the local university.

Secondly, universities can be a source of product and service innovations for community businesses. Technological discoveries made by universities can be commercialized by community businesses. The profits being made from publicly funded research programs can then be used for community benefit rather than individual gain. Although New Dawn does not demonstrate this, Mondragon has used such a relationship between business and the university to great effect. Many of the product and process innovations within the MCC's manufacturing businesses were originally

developed within the engineering labs of the local university. This suggests not only that the role of business within communities should be questioned, but also that the role of universities should be similarly questioned. The research further suggests there is potential for policy to play a role in encouraging, mandating and/or supporting knowledge transfer between universities and community businesses.

A final role for policy support is the financing of community businesses. This is a function that has parallels for traditional businesses as well. From the point of view of the depleted community, there is a need to create institutions that disrupt the flow of financial capital away from the area and instead have that capital invested into local businesses. Mondragon, for instance, created its own locally rooted banking system. New Dawn did most of its financing through its network of volunteers and community members. New Dawn's potential for growth was considerably less than Mondragon's because of this lack of capacity to accumulate capital, showing there is a need for supportive institutions that provide the function of a bank to community businesses. Such an institution should accumulate community financial capital and use it for community purposes through investment into community-based businesses. In the Mondragon system, the bank becomes a supportive partner in the business, rather than simply a service provider. The failure rate of businesses within Mondragon's system is dramatically less than those of traditional businesses, thus showing that such a financial institution for the community business sector, if integrated properly, could have a very favourable outcome for the businesses it invests in.

Legislation exists in Nova Scotia allowing for, and even promoting the establishment of, community investment funds which pool savings and make them available for local development. A sister organization to New Dawn, BCA Investment Cooperative, was formed (by Greg MacLeod) under this program and has begun to invest in local businesses, including a number of New Dawn activities.

These examples demonstrate that government is often more effective when creating enabling structures and legislation, as well as creating and supporting knowledge networks in the alternative economy, than offering direct financial support or involvement in community business initiatives. Thus policy makers should explore other avenues where community businesses can be helped by enabling legislation.

For Further Research

Finally, we can suggest areas where this research project can lead to further research. First, the literature on community business remains relatively weak. This thesis has attempted to make a contribution to the understanding of community business and develop theory around the community business approach. There is a need to further explore the concept of community businesses to see how they operate as organizations, how they adapt business practices, how they maintain community goals. Thus there is a need to continue to document and explore examples of community business development.

Much of the literature that exists on community businesses (for the most part, including this thesis) uses a social science approach. Of more use to community business and community business management, however, would be an economic and business analysis of these organizations. Such approaches to studying community businesses could make better recommendations concerning the daily operations and problems faced by these organizations.

Second, in terms of the growth of community business into other areas, there needs to be more research conducted on the transferability of the concepts and practices of community businesses. Thus there is a need for research on how knowledges and practices of community business travel to new locations. Third, if community business can operate not only in depleted communities, but also in prosperous regions, as this research has suggested, there needs to be further research on the competitiveness of community businesses in comparison to traditional enterprise.⁵⁴

Fourth, with the current developments in corporate structures in Europe that match up with the principles of community business, there is a need to examine how these structures have been developed. Furthermore, once implemented, there will be a need to follow the development of community businesses that use this legislation to determine the effectiveness of such legal forms.

Finally, the term 'depleted community' was found to have analytic and practical power for this research and for community leaders in Cape Breton. There is anecdotal evidence that the term is finding purchase in other locations for people involved in

⁵⁴ Research on this topic has been started by Mikel Cid of the University of Mondragon for his doctoral thesis.

community economic development. Thus, there is a need to examine the usefulness of this term for both practitioners and academics. As indicated in the thesis, the term itself is helpful in suggesting certain approaches to community development. Thus the power of language for community development in general, and with this term specifically, is something that also warrants further research.

Theoretical Reflections: Community Business and Local Economic Development

A number of bodies of literature were used in this thesis examine the phenomena of community business. They included the literature on uneven development (which was then used to develop a concept of the 'depleted community'), the social economy and community economic development (CED). In this section I would like to re-examine these theories, in light of the evidence, and their usefulness in providing an analytical framework for community businesses and local economic development. I would also like to identify some other bodies of literature that may provide further structure for understanding and explaining community business.

Review of Literature Used

The literature on uneven development was the first body of work used in the thesis. The purpose of including this work was to establish the problematic of the thesis, the existence and active production of depletion within the dominant economic system. The theories of uneven development contribute to an understanding of the limitations of mainstream economic development policies in the periphery. Within the context of the 'new' economy, the possibility for development in peripheral places is quite dire. This body of literature was able to show the structural inevitability of uneven development within the capitalist system. Thus, depleted communities such as Cape Breton cannot be seen as anomalies external to the system but are, in fact, actively produced by the system.

The thesis then introduced the idea of the depleted community as a conceptual tool for understanding the consequences of uneven development from the point of view of the losing region. It was necessary to thoroughly examine the literature on community to develop a workable definition of community. As the focus of the research is on community businesses, this definition provides a means to critically analyze the ways in

which such businesses treat the idea of community and how their role in the community is enacted.

The concept of the depleted community is used to re-examine the problematic (uneven development) through the lens of the impacted community. It provides a different view of the problematic: the existence of places which experience economic decline but to which people remain attached. This understanding of a system that actively produces depleted communities creates a moral imperative to search for an alternative.

This concept also provides an indication of an alternative way to address the problem: the existence of resources bound up in the meaning of 'community' can be used to create or leverage economic assets. The term depleted community is also suggestive of resources available in less favoured regions which can serve as the basis for new forms of development.

These two bodies of literature provide a basis for understanding the crucial problem of the thesis. However, these bodies of literature fail to clearly describe the likely course of development in the periphery. Uneven development, for example, is proscriptive in its analysis of local economic development. It can only say what is lacking and what type of economic development is not the solution. While the concept of the depleted community suggests possible resources on which to base some form of local economic development, it does not help in understanding how those resources may be used for development. Therefore, while these theories can describe the problem, and to a degree explain its origins, they cannot be used to critically analyze community businesses and their practices.

In the second chapter, the literature on community economic development was introduced. This theory was used to suggest some directions that a community-based response to depletion may take. The CED literature, however, was very broad in scope and did not provide a focused approach to development. The understanding of the problem of depleted communities developed in the first chapter enabled a critique of the diverse practices of CED. Our understanding of CED was focused towards business-based models of development. The literature on CED, when examined in relation to the uneven development literature, was useful in suggesting how models of CED can be evaluated and what form they can take (wealth creation, local rootedness, and community purpose).

The CED literature was insufficient in its ability to describe how these functions and forms create a viable business. It could describe the end result of what a community business would be comprised of, but it could not explain how the community business could take such a form. The theory did not help us understand the similarities and differences between traditional firms and community business firms.

The literature on CED, in fact, proved to be difficult to use. It was unfocused and encompassed too many incompatible directions. The literature often seemed to lack input from other bodies of knowledge (with the exception of the impact of wider social sciences on the concept of the social economy). Furthermore, it was too often based on description and provided very little analytical and explanatory power. As a term and as a body of literature, CED added very little to the study of community businesses. In fact, this body of literature only proved useful for this subject when the concept of a community business was disentangled from other notions within the CED literature. The CED literature found some purchase in this study only where it had something to say about the purpose and/or practice of the firm.

The literature on the social economy situated the literature of CED into a larger discourse of the economy. This provided a bit more rigorous framework in which the CED literature could be evaluated. However, the social economy literature used did not offer any greater understanding of what was happening within community businesses. Again, it was mostly a normative prescription on how a firm should act rather than an understanding of why a firm would act in such a way.

How are the literatures used in the first few chapters of the thesis useful? They bring us to the question regarding the production of depleted communities and their potential for development. The theories shortcomings are that they, at best, only superficially suggest how such communities can redevelop. For instance, the theories of uneven development and depleted communities suggest that development in depleted communities, if it is to occur, is likely to be based on community resources. The theories of social economy, community economic development and the notion of the community business, provide direction in suggesting that such alternative development practices should be based within business firms and economic institutions rather than social organizations and programs. This is useful for understanding the basis of the problem and the beginning of the solution. The theories, however, do not suggest *how*

these community assets are to be used, *how* firms can take advantage of local assets and knowledges. There is a lack of explanatory capacity. These theories suffer from an overly normative approach; they make assertions as to what ought to be, rather than explaining how and why firms are structured as they are and then suggesting how those structures may be changed to meet the moral imperative raised here.

The evidence presented in the thesis explored areas of community business development through novel forms of entrepreneurship, the values that underlie a community business and the formal (legal documents, organizational structure) and informal (organizational culture) structures that institutionalized the values and purpose of the organizations. The theories are useful in exploring these issues, but they do not provide a framework for analysis.

Because these theories are lacking in explanatory ability, they do not provide a useful framework for analyzing the evidence of the research; they do not enable us to examine the evidence in a satisfactory manner. In the following section, I will make some suggestions and preliminary explorations of some theories that may enable a fuller analysis of the evidence.

Other theoretical frameworks

Given the inadequacies of the theories described above, there is need for a theoretical grounding for all of the components of the thesis. Such grounding needs to encompass the economic considerations of uneven development, the social ties and cultural meaning present in depleted communities, as well as the social purposes of the social economy and community development. The primary unit of analysis in the research is the firm. As we are concerned with business entities, it seems appropriate to examine community businesses using theories of the firm. However, we also need to be able to integrate aspects of community purpose and social motivations into our understanding of the firm. We need a theoretical framework that allows critical assessment of the structure, processes and performance of community businesses. The adequacy of theory will be determined by its ability to combine these aspects of community business while situating it within its socio-economic environment.

Theories of the firm

One approach to understanding the firm is through neoclassical theories of the firm. However, there is very little understanding of what goes on within the firm in neoclassical theory. The firm is seen as a profit-maximizing black box that reacts to conditions of supply and demand (Demsetz, 1997). While there have been numerous criticisms of this approach, three are particularly relevant here. First, it sees all firms as being identical. Clearly our cases demonstrate two examples of firms that are very different from both classical firms and from each other. Secondly, it assumes that profit-maximization is the sole purpose of the firm. Mondragon and New Dawn are both examples of firms that, while concerned with profitability, are not concerned so much on profit maximization as with sustainability. This brings us to our third point, that firms do not only respond to supply and demand factors, but also to a host of other factors including, in these cases, local need and the public good. Thus it would seem that a neo-classical approach to the firm would add very little to our understanding of community businesses.

An opposing perspective on the firm is to see it as a legal person, as an incorporated body. This approach to the firm would suggest that corporations have an obligation to society for the privilege of acting as a legal person. Community development activists suggest that this responsibility goes beyond producing goods and services efficiently; it also includes some social or community purpose. As a theory this does offer some purchase in this discussion; the community business entrepreneurs in Cape Breton and Mondragon did feel that business has an obligation to better the community in which it's operating. The theory thus provides a framework for analysing how well these corporations are living up to their civic duties. In this analysis, both cases presented would be demonstrative of firms that do honour their social obligations, particularly when compared to mainstream corporations.

Defining the firm simply as a corporate citizen is a very normative approach, however. It describes what ought to be rather than what is. The community businesses studied here exist not because society made an obligatory requirement on their practice but because the agents that created these enterprises did so. This understanding of the firm suggests what society, and policy, should expect from corporations. It does not, however, provide an analysis of why or how community businesses exist. Both the neoclassical approach and the firm as corporate citizen approach have weaknesses.

Neither provides sufficient understanding of how firms are structured or why certain business processes take place.

We can thus look at transaction cost theory as a more sophisticated understanding of the firm. The transaction cost approach suggests that firms exist because there are costs associated with using the price mechanism in the market. These include costs such as searching for and gaining information about a commodity, costs of negotiating and deciding the purchase, and costs of policing and enforcing market transactions. Firms exist because they are able to economize on transaction costs (Williamson, 1979, 1985). Because those decisions are made 'in house' as a matter of routine, the transaction costs are eliminated or greatly reduced.

What does this understanding provide in analysing the cases presented in the thesis? If community businesses are means for accumulating and using idle community resources, then we can see how this theoretical approach has some import for analysis. By bringing community resources within the firm, community business overcomes the transaction costs in the market that are preventing these assets from being used. There are some problems, however. This analysis suggests that community resources used by community enterprise would normally be sold or rented out to the highest bidder, but because of a lack of knowledge in the market, buyers and sellers cannot meet and engage in a transaction. This pre-supposes that the owners of community resources wish to sell their resources but lack the means to do so; there is a market failure which the firm solves.

This does not stand up to the evidence of these cases. For instance, New Dawn has been able to use the services of professional people in the community (lawyers, accountants, engineers, etc.). Typically, these people were either employed or retired. Presumably, if they were wishing to sell their service they would work overtime, move to busier firms, or re-enter the workforce – they would not donate their time to a local business. These people are not activated by non-market means of selling their resources, but rather are motivated by selfless goals of community good.

It seems that the transaction cost theory has little to offer to this analysis. It provides an explanatory approach to the firm, so it is an improvement on the neoclassical and corporate citizen models. However, transaction cost theory has a limited approach to firms. It is still stuck within a neoclassical conception of the economy in that it assumes that the individual, as a rational, competitive maximizer, is the prime unit of the

economy. Transaction cost theory does not place agents and firms in their institutional context. It fails to acknowledge that there are motivations for action other than self-interest.

Old institutionalist economics is another approach which may hold some promise for this analysis. The institutionalist approach suggests that the firm cannot be understood in terms of transaction costs alone. Institutionalists, such as Hodgson (1988), argue that firms not only “minimize transaction costs, but ... provide an institutional framework within which, to some extent, the very calculus of transaction costs is superseded.” Institutionalists of the Veblen tradition argue that socioeconomic activity is based on institutions – habits, routines, norms, culture, etc. – that structure social interactions.

Institutions are the outcome of habitual behaviour based on repetition of past (social and individual) choices. These norms, rules, conventions, habits and values both reflect and shape human preferences. Institutions are based on past decisions and free the individual from having to make decisions each time he/she encounters a familiar situation. In this sense, institutions enable individuals to devote more cognitive time and energy to choosing actions for unique situations.

Firms provide an enclave where habits and routines allow for skills and information that cannot be easily codified or calculated to become part of the productive function of the firm (Hodgson, 1988). That is, firms exist not only to reduce transaction costs, but also to allow for non-price determined habits and routines to emerge and become part of the production process. For instance, numerous authors have identified the role of trust in the performance of the firm. Trust is an asset that is facilitated by the institutional structure of the firm, particularly when compared to the market.

Institutionalist perspectives on the firm suggests that actors do not come together within firms solely out of a rational calculation based on opportunism and self-interest. It acknowledges that people can be, and often are, motivated to act differently. Firms are a construct of both calculated self-interest within the confines of bounded rationality and of non-utilitarian norms, habits, routines and values. The firm is an organization of institutions that are both explicit and formalized (such as legal structure and hierarchal systems) and implicit and informal (such as organizational cultures and norms). This provides a theoretical framework in which a firm that is based on community purpose is

conceptually possible. We can now look at how the institutionalist perspective can be used, given the evidence provided in this thesis.

The institutionalist framework for analysis provides a means for matching community businesses with their underlying institutions. This perspective allows us to question whether the underlying structures of community businesses agree with their stated values and whether or not they produce the desired outcomes. The research presented uncovered three basic principles of community business: local rootedness, wealth creation and community purpose. These principles are the dominant institutions within these firms. From this understanding, we can move to exploring the ways in which these principles have become institutionalized within the cases. The evidence shows the principles have been institutionalized through formal and informal structures and systems. For instance, the legal structure was shown to be an institutionalizing agent for the firms. Local rootedness, wealth creation and community purpose were all formally written into the articles of association and guiding documents of the businesses. Thus, these institutions continue to have a guiding effect on the firms, both limiting and enabling their activities. The principles of community business were also institutionalized within informal structures. That is, they became ingrained in the routines, norms and conventions that made up the organizational culture of the firms.

This understanding allows us to see novel types of firms, such as community businesses, as business structures that are based on non-traditional institutions. Community businesses are the result of non-traditional business institutions becoming dominant within business organizational structures. In particular, community purpose and local rootedness are given equal or greater footing with wealth creation.

An institutionalist perspective also enables a second level of analysis on community businesses. While an examination of the business structure suggests that community purpose and local rootedness are dominant institutions within the firm, we can also check whether these institutions remain dominant by examining the outcomes of the firms. Specifically, by examining the decisions made by the firms through this institutional lens, we are able to examine which institutions dominate in the decision making process. This allows us to judge whether the firms are living up to their stated purpose and original goals.

For instance, criticisms of the Mondragon Cooperative Corporation's more recent decisions can be seen as evidence that the wealth creation principle is becoming a more dominant institution within the firm. Mondragon's foreign plants are often given as examples of this shift. Conversely, New Dawn's activities regarding the New Dawn Foundation can be understood as evidence that community purpose is becoming dominant in that organization to the exclusion of wealth creation. Further study shows that in reality the principles of these two organizations are in flux, with different principles becoming dominant at different times and in different decisions. The MCC has embarked on a program of transforming its foreign plants into worker-owned corporations; New Dawn continues to open and create new ventures. These outcomes demonstrate a dynamic within the dominant institution impacting the practices of each firm.

The institutionalist perspective can also be used to understand the depleted community. With the elimination of the dominant mechanisms of a capitalist economy, depleted communities become locations where different shared values and norms can come to the fore. When capitalistic relationships are dominant, the prevailing institutions are self-interest, contractual regulation, etc. In the absence of a capitalistic economy, other institutions such as mutual interest, cultural identity, and social obligation may come to the forefront. Where such institutions become dominant for the whole (or a significant part of the) community, community business entrepreneurs are able to activate resources and build their teams based on the dominance of those institutions. The depleted community becomes an environment that enables community business entrepreneurs to emerge. In an individualistic society, community business entrepreneurs would not be able to build the teams they need to create the organizations they desire.

A second look at policy

In terms of policy, an institutionalist understanding of community business can be further enriched by setting theories of the firm within other discourses of the economy and regional development. For example, Amin (1999) has explored an institutionalist perspective on regional development policy. Indeed, many of the policy recommendations made in this thesis reflect those offered by the institutionalist perspective. The purpose of this thesis is to examine regional development from the

community out. Community businesses are born within the institutional context of the community and may be encouraged to grow through policy suggestions such as those made by Amin. I wish to take a more micro examination of the firm and make some suggestions for how particular processes come together and occur.

The institutionalist perspective gives indications as to how firm structures can be altered to support the local community by changing the dominant institutions within the firm's structure. By altering the firm's regulatory structure, and supporting it with an appropriate organizational culture, wealth creating enterprises can act for the social good. Community business cannot be described as any particular structure or governance model; rather it is an organization that has institutionalized, possibly in different ways, the principles of community purpose, local rootedness and wealth creation.

The potential for traditional development remains low in depleted communities. This thesis explores the potential for alternative forms of development (community business) to emerge from such places. The conclusion drawn here is that depleted communities have a greater potential to develop these types of businesses because of the institutions that dominate depleted communities. While it is dangerous to make generalizations from only two case studies, the comparison between Mondragon and New Dawn would suggest that community business can make a greater impact when established within networks of other community businesses. Mondragon has had a transformative impact on its community because it has built up an institutional thickness that supports community business. New Dawn and Cape Breton have not done so to the same extent. Mondragon, thus, can be seen not only as a cluster of particular industrial sectors, but also as a cluster of a certain form of businesses, including the built-up support institutions, tacit knowledge and local cultures that enable that form of business to reproduce. One suggestion re-iterated here is that policy should support an alternative economy in these locations. Such policy would focus on building up the institutional base within the region, with a specific focus on institutions supporting community businesses and other institutions within the alternative economy. This would involve building and supporting institutions not only within the economic sphere, but also in the civil and public spheres that enable development of economic institutions.

Moving Beyond the Thesis: Politics of Place

Where do these conclusions lead us? What are the greater implications of this thesis? The activities described in this thesis and the thesis itself has emerged out of a 'politics of place'. That is, they have emerged out of a concern and commitment for particular places and their peoples. This, I believe, is the greater implication of the thesis and the greater task before us: developing such a politics of place.

Because of the politically charged nature of the environments in which New Dawn and Mondragon have developed, they have attempted to be politically neutral. Mondragon has attempted to stay outside the sometimes violent world of Basque politics. New Dawn similarly has explicitly tried to remain outside of the overly political nature of the local institutional network dominated by government institutions. There is, however, a politics, a particular set of ideas, principles and commitments that their activities are based on. The challenge for these and other similar organizations, and for academics involved in their research, is to develop and articulate such a politics of place.

What is a politics of place? While it is not the purpose of this thesis to fully explore this concept, the thesis does point to this direction. Therefore in the space left in this conclusion it may be useful to make an initial study into what some examples of a politics of place may look like and how it can affect depleted communities.

A politics of place would emphasize the value and meaning of people living in communal (place-based) relationships with each other. A politics of place recognizes that people are social animals that function better and live more meaningful and happy lives when involved in social connections with each other. It would recognize the importance of places in people's lives, identities and social relationships. Politics of place argues against 'the end of geography' (O'Brien, 1991) and states that 'place matters' (Massey, 1995, 1997) in terms of its social as well as its economic value.

Such an approach would lead to a different understanding of society and, in particular, of the economy. Such a place-based view is in opposition to the global economy which operates across space and only gets tied down in particular places for the purposes of profit making, not necessarily for the benefit of people.

New Dawn demonstrates how such an approach can alter approaches to economy and development. New Dawn has clearly adopted a place-based politics and view of the

economy. In a traditional view of the economy, Cape Breton has a clear economic problem. New Dawn, however, transcends this. It is not an economic problem that Cape Breton has, but it is the *understanding* of the economy itself that is the problem. While taking a place-based view of the economy does not make the economic problems disappear, it does present a less fatalistic view point and a locally-based methodology to attack the problem. Thus in New Dawn's view, Cape Bretoners must come to believe in a place-based view of the economy. They must stop believing that either the state or the market will save them. To do this requires an alternative approach to the economy. One can see the new direction of New Dawn as an attempt to communicate and spread this politics of place within the community.

The motivation behind such activities is based in the idea that the socio-economic problems of the community are not problems of the economy that need to be addressed through economic means, but rather they are problem of political-economy that need to be addressed through both economic activity and political dialogue. Inserting community and place within the political dialogue is an important step addressing those problems. Real alternatives, rather than place-specific, small-scale examples, will emerge when people in depleted communities begin to see themselves as living in depleted communities. That is, the development of place-based alternatives depends on a place-based conception of society and the economy.

In this sense, the labelling of depleted communities as depleted communities is a part of the process of developing a place based politics. Language is part of the tools needed to develop a politics of place. The language of depleted communities and other terms helps practitioners and policy makers to better understand and deal with these problems. For instance, MacSween recounts that in New Dawn's beginning "no-one heard of the 'depleted community', there was no language to express our views." The term depleted community, he argues though, "gives clarity to what is going on here." This development of the language is one contribution this research intends to make.

While some may argue that CED has been developing a place-based argument for years, one can question the usefulness of such contributions. Most of the CED literature comes either as bleeding heart idealism with little practical grounding in reality and lacking any plan to achieve its ideals, or it is simple reporting of small scale initiatives at the periphery. What it is lacking is a pragmatic politics of place that informs concrete

action. Blomley (1992) offers a significant starting point for such arguments of how a politics of place can be situated in existing regulation structures.

Blomley compares how the right to mobility and the right to liberty are interpreted differently by British Columbian courts for different groups. In the first case, the courts upheld the charter to allow a number of doctors to establish practices within the city despite limits the province attempted to place on doctors in the city in order to ensure there are enough doctors serving the rural population. The court insisted that these individuals had a right to liberty and mobility that allowed them to pursue a living in the place of their choosing. Blomley compares this interpretation of the charter to the plight of the residents of the town of Kimberly, where the closure of the local mine, the town's sole industry, precipitated an economic crisis. Kimberly residents, however, demonstrating the characteristics of a depleted community, were reluctant to move out of their town. They were upset that the mine closed not because it was unprofitable, but because it was not profitable *enough* for the multinational corporation that owned it. Blomley argues that the charter of rights could also be interpreted to insist that these people had the right to pursue their livelihoods in their place of choosing as well. That is, they had the right to *immobility* as well as mobility, and that the mining corporation had a responsibility to allow that to continue to exist (within the limitations of economic feasibility). This is a novel interpretation of existing law that suggests that companies have a responsibility to the places they operate in and the people they employ. In this case, Blomley demonstrates how a politics of place could offer a different view on current legislation and institutions which would work for people in their places rather against them.

Legislation on corporate forms such as the community interest company legislation proposed by the UK and similar legislation in Sweden demonstrate another way of using the regulatory framework to establish policy based on a politics of place. Further examples can be seen in Nova Scotia's community investment fund program which enabled BCA Investment Cooperative to establish itself in Cape Breton. These programs enable the development of place-based institutions that work to establish and develop a community based economy.

In yet another example, Amin et al. (2003) argue for a 'dispersed politics' in the United Kingdom. Such a call for 'decentered nation' adopts a politics of place in that it recognizes that places are important and valuable to the nation. Amin et al. argue that in

an “age of geographical connectivity and flow” requires a relational conception of space. That is, regions and places, and their relative “performance” must be seen as the result of their relations and interconnections. A decentered nation, argue Amin et al., allows “different parts of the country [to] play equal roles in the conduct of the nation.” By circulating the economic and political relations of the nation through places, rather than through the centre, both the nation as a whole as well as its constituent parts can benefit. Thus, Amin et al. illustrate that addressing the uneven economic geography of the nation is very often a political choice and that appropriate strategies can be imagined.

These policy recommendations require a transition from a political economy of placeless space – mobile labour, capital etc., to a political economy of place, which privileges people in their places over the movements of global and intra-national capital. Institutional law is built around principles of capitalism which is placeless. To build place-based institutions requires appropriate law.

A politics of place, therefore engages in a political struggle to enact the suggestions made in this thesis and encourage governments and business to be more responsible to people in their places. A politics of place is an arena where proponents of CED can engage in political discussion and action. It is also an arena where CED proponents can find allies in other social movements. For example, see the Society for International Development’s programme ‘Power, culture, identity: Women & the politics of place’ for a politics of place in women’s’ struggles⁵⁵. Similarly, Behan (2001) makes an environmental argument for a politics of place. In Chiapas, the Zapatista movement is a political struggle that is based entirely on a politics of place. This is the wider social vision that community businesses are involved in. There is a need to recognize that unity of vision and have it articulated in political dialogue.

Inserting a politics of place is a political struggle and is a challenge for community businesses and other proponents of such a politics. But it should be remembered that a politics of place is not only a political struggle. It is also an enactment of place-based livelihoods. Thus politics of place is not only struggle, but celebration, a celebration of place. The song at the beginning of this chapter thus is an example of such a politics; it is a celebration of people in their place and demonstrates the joy and meaning of that

⁵⁵ <http://www.sidint.org/programmes.htm>

celebration. A song like this could only have been written in a place where people find meaning and joy in living in community. This song in particular could only have been written in Cape Breton. It needed the importance that Cape Breton had for the songwriter. Without it, the song would never have existed. This song is the value of living in a meaningful place. This song is the reason there is a need for a politics of place.

We Will Sing

J P Cormier and Kenzie MacNeil

We will sing on the beaches, We will sing in the hills
We will sing in the valleys and the streets of our home town
We will sing all together, We will sing all alone
We will never surrender! Or let the music down, we will sing ...

Appendix I - List of IntervieweesPhase I

Interviewee	Position	Date
Greg MacLeod	Founder - New Dawn	03/08/2001
Rankin MacSween	President – New Dawn	30/10/2001
Greg MacLeod	Founder - New Dawn	18/12/2001

Phase II

Interviewee	Position	Date
Rankin MacSween	President – New Dawn	25/06/2002
Jim Kelly	Board Member - New Dawn	02/07/2002
Greg MacLeod	Founder - New Dawn	04/07/2002
Janet Gillis	Manager - New Dawn	08/07/2002
Joe MacLean	Chairman of Board - New Dawn	08/07/2002
Jim MacCormack	Management Consultant - New Dawn	09/07/2002
Mike Maroun	Vice President - New Dawn	10/07/2002
Ora McManus	Manager - New Dawn	11/07/2002
Denis Cassivi	Manager - New Dawn	12/07/2002
Margie Gillis	Board Member - New Dawn	19/07/2002
Norma Boyd	Board Member - New Dawn	22/07/2002

Phase III

Interviewee	Position	Date
Rankin MacSween	President – New Dawn	12/08/2002
Greg MacLeod	Founder - New Dawn	22/08/2002

Additional Interviews

Stewart Perry
21/07/2002

Perry was a consultant from the United States who worked extensively with New Dawn during its formative years. Perry was interviewed on the process of formation and on the changes in New Dawn over the years.

Charles MacDonald
21/08/2002

MacDonald is a colleague of MacLeod's who was working with MacLeod during the establishment of New Dawn. He also held the position of Chairman of the Board on two separate occasions for a period of three years each. MacDonald was interviewed on the early days of New Dawn's foundation and on the role of MacLeod.

Honourable Denne Burchell
26/08/2002

The Honourable D. Burchell, former Supreme Court of Nova Scotia judge, was a consultant for New Dawn during its foundation (before becoming a judge). He was particularly involved in the legal structuring of the business. It was on this issue that he was interviewed.

Focus Group Participants

New Dawn - 09/09/2002

Rankin MacSween	President – New Dawn
Mike Maroun	Vice President - New Dawn
Norma Boyd	Board Member - New Dawn
Jim Kelly	Board Member - New Dawn

Other Discussion Groups

Group	Date
UCCB Grad Student Seminar	20/07/2001
UCCB MBA Group	23/07/2001
UCCB MBA Group	24/07/2001
UCCB MBA Group	26/07/2002

Appendix II - Interview Guide

Name

Role with New Dawn

Period of service with New Dawn (start year, positions held)

A – Purpose of the Organization

What is the purpose of the organization? What is the nature of the business?

B – The Organization and the Community

- **How does the organization view the community?**
 - What is the community you operate in? How do you define it?
 - How do you characterize the community you operate within?
 - What are the assets of the community?
 - What are the problems/challenges of the community?
 - What needs to be done to develop or 'replete' the community?
- **How does the organization respond to the community?**
 - What is its role in developing the community?
- **How does the organization measure success?**
 - How do you know when the organization is being successful?
 - How does the organization measure success?
- **How does the community participate in the organization? What is the interface?**
 - Do you feel the org is representative of the community?
- **How do you feel the organization is perceived by the community?**

C – Organizational Structure

- **What are the assets of the organization? What are the key components of the organization?**

D – Leadership

- **Are there key individuals upon whom the organization relies? (Past, Present?)**
 - **What do they bring to the organization? What is their role?**

E – Future Development

- **What are the possibilities for New Dawn in developing the community?**
- **What are some of the major challenges/obstacles that face the organization?**

Appendix III - Mondragon Contacts

Mikel Cid

PhD Student

University of Mondragon

Mikel proved to be a very useful contact. Both he and I were studying similar topics and were able to help each other in our research. Mikel has helped obtain internal MCC documents, has commented on my writing, particularly in respect to Mondragon, and has offered translation services on several occasions. Mikel has also been a source of first hand knowledge regarding issues in Mondragon.

Mikel Lezamiz

Director of Dissemination of Co-operativism - Mondragon Cooperative Corporation

President – Arrizmendiarrieta Ikastola Cooperative School Centre

Mr. Lezamiz has provided feedback on the thesis in conversation and has helped in obtaining internal MCC documentation.

Dr. Iñazio Irizar

Director of Research and Postgraduate Studies

University of Mondragon

Dr. Irizar has provided feedback on the thesis as well as discussions of issues in Mondragon.

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